

## Overview

Moqhaka Local Municipality is made up of three towns, namely Kroonstad / Maokeng, Steynrus / Matlwangtlwang and Viljoenskroon / Rammolutsi.

### Kroonstad

An important agricultural service centre in the Free State with a predominantly agricultural-orientated economy served by a modern toll-road which brings the PWV Region within two hours drive from Kroonstad and is also accessible from the North West, Bloemfontein and the Eastern Free State.

Folklore has it, that the town was named after the horse, "Kroon" which belonged to the prominent Voortrekker, Sarel Cilliers. Today as an important administrative, agricultural and educational centre, Kroonstad boasts much of the inherent rugged beauty, which led the Voortrekkers to establish the town where they did. The Vals River, which runs through the centre of the town, has the Kroonpark Holiday Resort resting gracefully on its banks. Kroonstad serves an exceptionally wealth agricultural area and is a convenient stop over for visitors travelling on the N1 to the South.

The well-planned business centre offers commercial and financial institutions for every need. Apart from offices, the modern civic centre also houses a theatre, public library, a well-equipped symposium hall and the Sarel Cilliers Museum, named after the Voortrekker leader who used to farm at Doornkloof in the district.

Kroonstad serves a rich agricultural district producing maize, wheat, meat, sunflowers, dairy products and wool. There are many heavy and light industries and a great potential for further growth. The town boasts a most strategic position, as it is situated on the Johannesburg-Cape Town national road, as well as the main north-south and Natal railway lines. It is an excellent distribution centre, within easy reach of the country's major centres, markets and ports. Four dams provide sufficient water, while electricity is supplied by Eskom.

Here one can enjoy a quality lifestyle, Property is easily attainable at competitive prices, the climate is ideal, with a clear an invigorating atmosphere, and one is always close to unspoilt nature. The town is rich in historical sights - as well as modern shopping complexes, cinemas, fine restaurants and a theatre.

### STEYNSRUS

Founded in 1910 and named after the last president of the Orange Free State Republic, M T Steyn. An old-fashioned, rural aggregation of cattle farms forms this settlement.

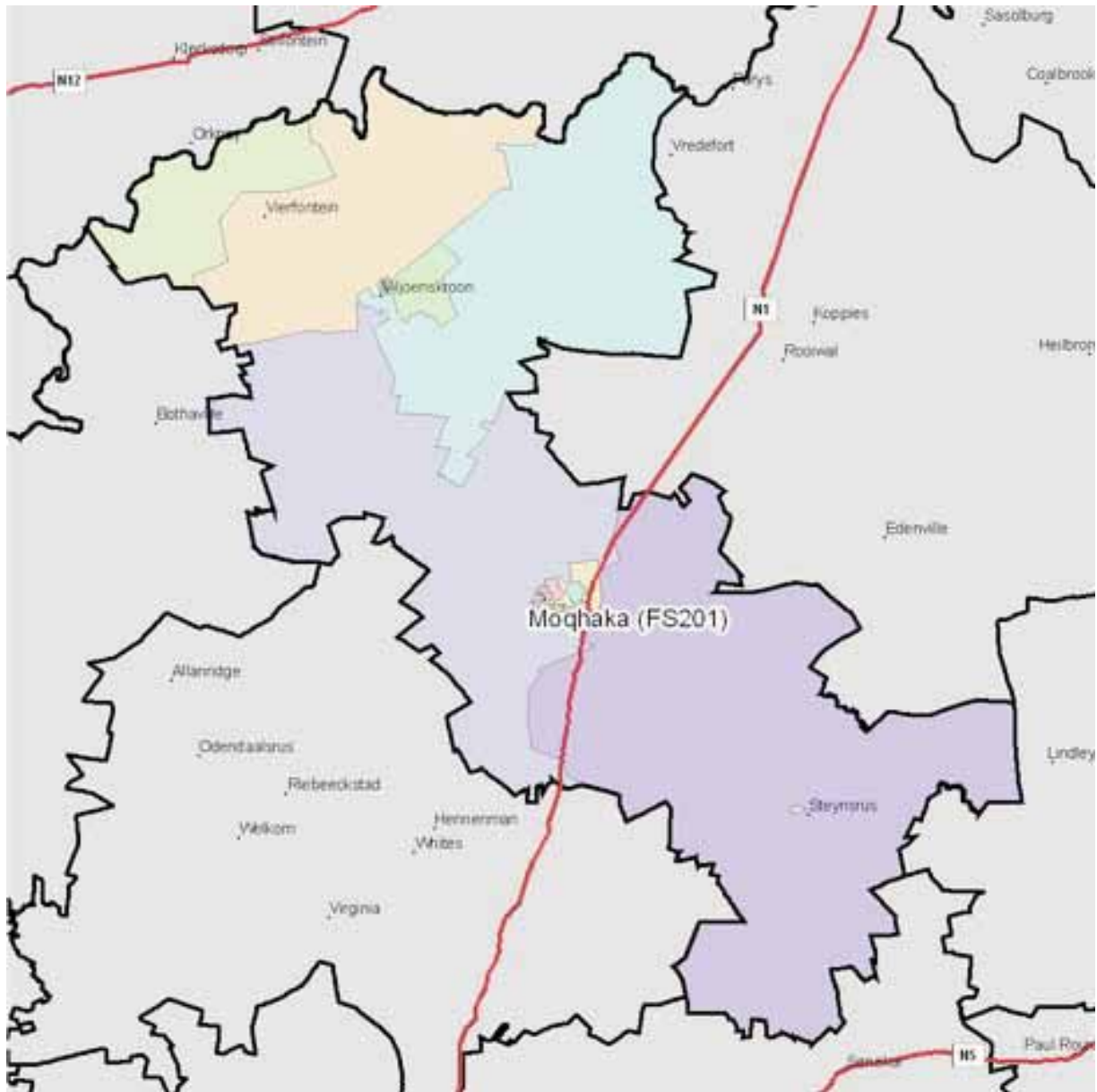
The Sandstone Church in the centre of town is a fine piece of turn-of-the century sandstone architecture.

Steynsrus today is known for Salem Ceramics which has been manufacturing ceramics for the past twenty years. This leading manufacturer is well known throughout the country for its innovative, artistic and impressive garden ceramics.

### VILJOENSKROON

Situated next to the R76 road within the maize triangle and bordering the Vaal industrial complex. This small farming town generates a deep sense of peace and well-being. The town is characterised by its stud farming in the district and several huge grain silos make it one of the biggest grain storage centres in South Africa. Viljoenskroon is named after the original farm owner J.J. Viljoen and his horse Kroon.

A well-developed accommodation sector provides much needed accommodation to visitors visiting the agricultural sector throughout the year but especially during the well-known annual NAMPO agricultural show in the nearby district of Bothaville.



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## Draft Foreword

Moqhaka Local Municipality is one of the four local municipalities located within Fezile Dabi District Municipality. It is made of three towns; Steynsrus / Matlwangtlwang, Kroonstad / Maokeng and Viljoenskroon / Rammolutsi.

As required by legislation, Moqhaka Local Municipality had formulated a broad Strategic plan (Intergraded Development Plan) to map out development path in addressing the needs of the people within its jurisdiction to achieve a better life for all.

During the financial year under review, we utilized the MIG grants to install and up-grade basic water infrastructure, sanitation, roads and storm water, electrical services as well as cemeteries. All projects were identified through Integrated Development Plan (IDP) process in which our community participation played a very crucial role.



**M.A. MOKGOSI  
EXECUTIVE MAYOR**

The Council has made tremendous strides towards achieving its objectives in the following key performance areas, namely:

- Basic service delivery and infrastructure development,
  1. Refurbishment of the Kroonstad and Viljoenskroon sewer treatment works phase 3.
  2. Upgrading of VIP toilet structures to waterborne system in Matlwangtlwang phase 3.
  3. Rehabilitation of sewerage system.
  4. Sanitation- Installation of wet services for 670 erven between Constantia and Brent Park.
  5. Installation of sewer for 4000 erven in Rammolutsi phase 2.
  6. Lining of oxidation ponds in Matlwangtlwang phase 2.
  7. Upgrading of gravel roads and provision of proper storm water drainage system in Maokeng.
  8. Upgrading of gravel roads and provision of proper storm water drainage system in Rammolutsi
  9. Channeling of Vlei Areas and Proper Pedestrian and Vehicular Bridges
  10. Installation of High Mast Lights in Moqhaka Phase 4.
- Skills Development.  
Municipality continues to equip Councilors and officials with training to perform their jobs effectively.

Our efforts of imparting skills to our employees have on two successive years received awards for the best Skills Development.

- Good governance and public participation

However, this Municipality is aware of the fact that challenges still remain in Municipal financial viability and management as well as unsatisfactory cash flow.

The impact of HIV /AIDs is still a major concern and the municipality has adapted a holistic approach and efforts to combat this crisis, implement social development programmes and attend to the substantial backlogs in infrastructure.

In conclusion, I would like to express my appreciation to all Councillors, the Municipal Manager, Departmental Heads, all other personnel as well as the citizens of Moqhaka Municipality for their support, cooperation and hard work during the last year.

**CLR MANTEBU MOKGOSI  
EXECUTIVE MAYOR**

## PREAMBLE AND OVERVIEW

### FOREWORD OF THE MUNICIPAL MANAGER MOQHAKA LOCAL MUNICIPALITY

The task of servicing over 214 000 inhabitants, maintain the industrial base, farming base and developing comprehensive sustainable human settlements is indeed a huge challenge. Making Moqhaka Municipality an integrated residential area, where services are delivered and communities are able to live a decent life has been the apex of the municipality's programme.

At the centre of the municipality's vision is the Integrated Development Plan (IDP), a five year business plan that collates the needs of the residents, business, civil society and government programmes. The five terms commenced in 2006 and the IDP is used to allocate resources and develop a medium term budget. The seven (7) strategic priorities are, Community Participation, Good Governance, HIV and AIDS, Local Economic Development (LED) and Job Creation, Poverty Alleviation, Safety and Security and Urban Renewal. Each year, the IDP is reviewed, and a plan for budget implementation is adopted.

The capital budget for the financial year being reported is almost R28 385 000, 00. In another intervention a customised management training shine of management courses was developed through a co-operative agreement with the University of the Witwatersrand. By the end of April 2010 a total of 22 senior, middle managers and front line staff would graduate with a certificate on CPMD and CPLD.

The municipality is embracing on a massive campaign to inform citizens of the National Electricity crisis including providing information in what everyone can do to play a political role in saving energy.

The main strategic programme regarding service delivery is the sustainable Human Settlement Programme. This programme also takes into account the need to identify land, service land and plan settlements. Work on this process has to be conducted within the legal frameworks prescribed and this poses many challenges on implementation.

The critical issue is to develop Moqhaka Local Municipality as a smart, creative and developmental town. In the context of scarcity of resources and the huge poverty pool, the commitment of business, labour and civil society is welcomed. Service delivery can only happen in partnership with the community that programmes are realized.

.....  
MUNICIPAL MANAGER  
MOQHAKA LOCAL MUNICIPALITY  
MNCEDISI SIMON MQWATHI

MNCEDISI SIMON MQWATHI  
MUNICIPAL MANAGER

## 2.1 Technical Services

Technical services department is responsible for the following services:

1. Provision of new infrastructure in terms of planning and implementation.
2. Operating, maintenance and refurbishing/rehabilitation of existing infrastructure.
3. This is done as a basic service delivery aspects in the following areas:

### **Water and waste water services**

- Water purification
- Sewerage treatment
- Storage dams
- Water reservoirs
- Water and sewage reticulation networks

### **Roads, storm water, railways and public works**

- Roads design, construction and maintenance
- Storm water drainage system
- Railway sidings and maintenance
- Bridges and culverts
- Landfill site management

### **Electric distribution**

- Power generation, provision and distribution
- Public lighting

### **Mechanical workshop**

- Fleet management
- Maintenance and repairs of vehicles, plant and equipment

### **Buildings survey and draughtsmanship**

- Approval of building plans, construction and inspections thereof

## 2.1.1 WATER SERVICES

- Operations and Maintenance
- Supply and Purification:

### **A. Storage:**

As a result of the continuing drought of the past couple of years the reporting period once again started with water restriction being in place in Kroonstad and Steynsrus. The Vals River providing water to Kroonstad and Steynsrus received some water from rains in November 2007 and it was possible to transfer water to the holding dam in Steynsrus and Bloemhoek in Kroonstad. It was possible to fill Steynsrus storage dam to 100% capacity and early 2008 Bloemhoek reached a capacity of 98%. Although it was estimated that the Bloemhoek Dam would be able to support the town for  $\pm 3$  years without rains, these figures did not make provision for almost 4,000 new stands in Maokeng that has been added over the last couple of years. As future rainfall cannot be guaranteed the water restriction had to remain in place to ensure a constant water supply to the area. In Steynsrus the water level in the dam dropped to such a level that we had to revert to augmenting the water supply from boreholes at times. The Renoster River which is the main water source for Viljoenskroon also reached its maximum capacity at the end of 2007, due to the fact that there are no water restrictions in Viljoenskroon the level in the river dropped to such a level during April 2008 that we had to start transferring water from the Vaal River again. This water is so polluted that extra measures had to be put in place to try and maintain the SANS 0421 standards for water quality. The supply in Kroonstad reached a maximum of  $\pm 31,864$  Mega litres, approximately 98% of available supply at beginning of 2008. By the end of June 2008 the supply had again dropped to a low of  $\pm 23,929$  mega litres,  $\pm 74\%$  of maximum available supply.

### **B. Purification:**

Funding to the value of R 741,000 was eventually received from MIG for the rehabilitation of the water purification plants in all three towns. The upgrading of Kroonstad and Viljoenskroon received priority treatment as these were the plants where the most disruptions and problems existed.

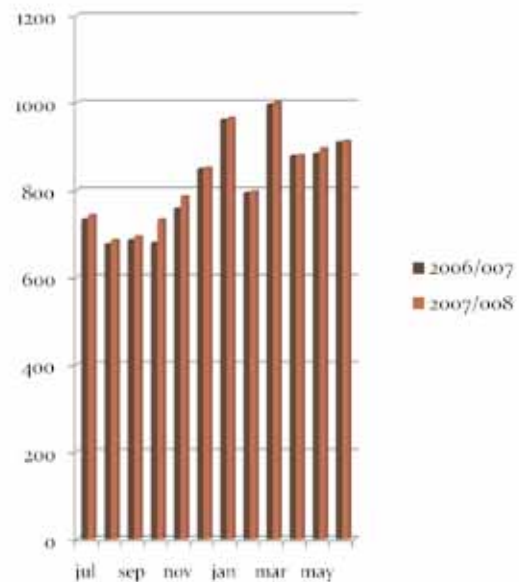


In Kroonstad a low lift pump station has been rebuilt and several valves and flow meters were repaired. A new 355kW electric motor was obtained for one of the high lift pumps and a second will be obtained early in the next financial year. This is due to the fact that the old slipping motors are reaching a stage where they can no longer be maintained cost effectively. Upgrading was also done on several other items on the plant. The most attention was directed at Viljoenskroon and several pumps have been rebuilt and installed at the water treatment plant. The three Moore airlift filters were reconditioned in totality as well as the number 2 clarifier. These are items that were identified as critical during the 2006/2007 financial year.

Several problems were experienced during the reporting period. Most mechanical related problems could be resolved fairly quickly and the appointment of permanent, suitably qualified staff was also attended to. This resulted in fewer problems at the plants.

In Viljoenskroon  $\pm 45,513,735$  Kiloliter of potable water was supplied to the community while in Steynsrus the volume supplied was  $\pm 608,333$  Kiloliter while the figures for Kroonstad are as indicated below:

Month:	2006/2007	2007/2008
Jul	731.837	742.336
Aug	676.394	685.456
Sep	685.332	693.812
Oct	678.678	731.837
Nov	757.273	785.345
Dec	847.880	850.788
Jan	960.556	964.868
Feb	793.812	797.218
Mar	995.692	1001.926
Apr	877.688	879.875
May	882.719	895.525
Jun	910.092	912.509



#### Sewage Treatment Works:

Upgrading of both the sewer treatment plants in Kroonstad and Viljoenskroon are still in progress. Several critical components have already been replaced and the project will continue into the next financial year. This project is funded by MIG. Although the quality of the final effluent is not yet meeting SANS 241:2006 standards at all times the Department of Water and Forestry (DWAF) has voiced their satisfaction on the progress made with the effluent quality. Lack of experience and knowledge of operators is still a problem at the plants.



A picture showing final sewer effluent

### Sewage Pump stations:

Several serious problems were encountered during the reporting year, these could be attended to and provision was made for the upgrading of some of the pumps which are becoming uneconomical to repair. The switchgear panels are also fast reaching the end of their lifespan and several will be replaced during the next year. Most of the damage to pumps that resulted in spillages was due to foreign objects entering the pumps and resulting in breakdowns. There is still a shortage of shift workers to man all the pump stations. Vacancies have already been identified and should be filled during the next year.



Overflow due to manual operation

### Sewer blockages:

Several major sewer blockages occurred during the year, most of which were recurring. These were: the Gelukwaarts line, the line behind LTA adjacent to the refuse dumping site, the line at the Constantia shopping centre as well as the one adjacent to the Seeisoville stadium. The line behind the Seeisoville stadium has been rebuilt during the past year and it is expected that this will reduce future blockages



A sewer blockage in Constantia



Workers checking a blocked sewer line

The line in Gelukwaarts / Nyakalong is one of the lines that continues to be a problem due to vandals throwing stones into the manholes. This line has however been identified as a project where lockable manholes will be provided, should the funds be approved by MIG. There are several other lines where the same problems are experienced on an almost daily basis

### Achievements

- Bucket eradication targets have been met.
- A pond at Matlwangtlang is completed.
- Dozing systems is improved in Kroonstad
- Spilling sewers have been reduced by 60%
- Pipe leakages have been reduced by 80% and response time has improved drastically as there are fewer follow-up complaints



### Challenges

- The health and hygiene component is still outstanding which will have a negative awareness impact.
- Most of the toilets have top structures that need to be re-constructed/replaced
- 99.9% of sewer spillages need to be eliminated through full refurbishment and restoration.
- Areas polluted by sewers and waste water should be rehabilitated.
- There is a need for full refurbishment and upgrading of both water and sewer plants in all towns(process delayed due to limited budget)
- Constant pipe bursts due to the age of asbestos pipes and aluminium fittings (lm6)
- Constant sewer blockages due to foreign objects flushed/thrown into the systems

### 2.1.2 ROADS, STORM WATER, PUBLIC WORKS AND RAILWAY SIDINGS

#### Responsibilities

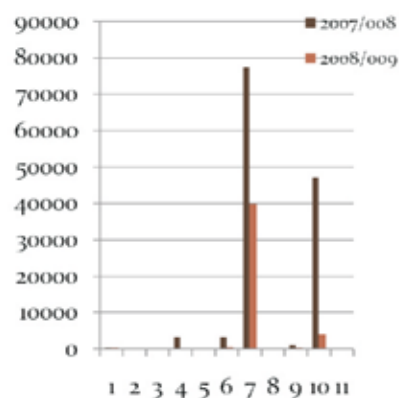
- Resealing, resurfacing & maintenance of tarred roads
- Gravel road upgrading and maintenance
- Maintenance of brick paved roads
- Storm water Drainage
- Bridges
- Landfill sites and solid waste management
- Railway siding and maintenance
- Design and construction

Distances in road networks in Moqhaka

- TOTAL DISTANCE TAR ROADS IN MOQHAKA = 423 km
- TOTAL DISTANCE BRICK PAVING ROADS IN MOQHAKA = 9km
- TOTAL DISTANCE GRAVEL/ DIRT ROADS IN MOQHAKA = 405 km
- TOTAL DISTANCE OF ROADS IN MOQHAKA AREA = 835 km

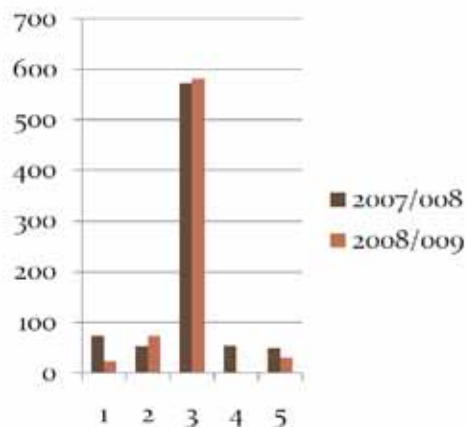
#### Roads Activities (Gravelling and Paving)

ITEM	FUNCTION	2007/8	2008/9
1	GRADED (km)	328	375
2	GRAVELED (km)	13.3	78.2
3	SHOULDERS (km)	42	18
4	RESEALED (sq m)	3,140	0
5	RE-BUILD (km)	1	0
6	BASE FAILURE (sq m)	3,205	599
7	POTHOLE PATCHING (sq m)	77,275	39,918
8	CRACK SEALING (m)	0	0
9	SPEED HUMPS (m)	1,124	308
10	PAVING (sq m)	47,110	4,050
11	KERBING (m)	114	163



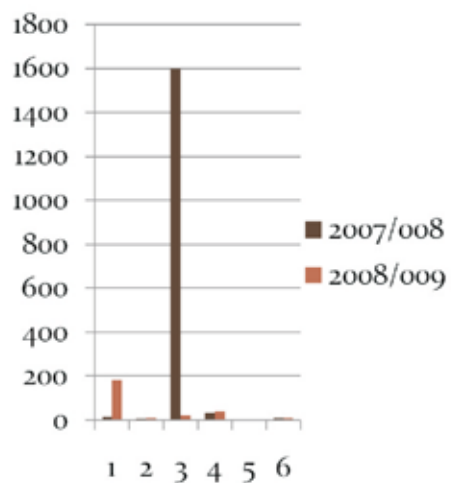
### Pre-cast concrete manufacturing

		2006/2007	2007/2008
1	MANHOLE LID REINFORCED	73	24
2	MANHOLE LID CAST	53	74
3	KERBSTONES CAST	572	581
4	TILES CAST (450 SQ x50)	54	0
5	CATCHPIT COVERS CAST	48	31



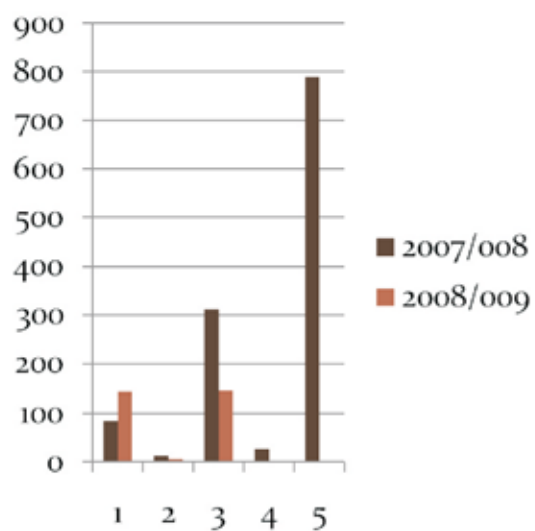
### Railway siding

		2006/2007	2007/2008
1	SLEEPERS REPLACED	16	185
2	PATROLING TRACK	8	12
3	WEED CONTROL (sq m)	1,600	23
4	MAINTENANCE TURNOUT	34	42
5	RAILWAY TRACK EASED (m)	0	1
6	MAINTENANCE TRACK	10	11



## Storm Water activities

		2006/2007	2007/2008
1	REPLACE MANHOLE LIDS	83	143
2	BUILD OR REBUILD MANHOLES	13	5
3	REMOVE SYSTEM BLOCKAGES	312	145
4	INSTALL PIPING/ CULVERTS (m)	26	0
5	CONCRETE V- CHANNELLING (m)	789	0



## 2 Building

BUILDING SURVEY SECTION						
BUILDING PLANS APPROVED FOR THE FINANCIAL YEAR 01 JULY 2008 TO 30 JUNE 2009						
	KROONSTAD	VILJOENSKROON	STEYNSRUS	VIERFONTEIN	RHENOVAAL	TOTAL
JUL 2008	R 2 035 968.00	R 0.00	R 0.00	R 0.00	R 0.00	R 2 035 968.00
AUG 2008	R 1 950 789.00	R 0.00	R 0.00	R 0.00	R 0.00	R 1 950 789.00
SEP 2008	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
OCT 2008	R 9 224 975.00	R 0.00	R 0.00	R 0.00	R 0.00	R 9 224 975.00
NOV 2008	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
DEC 2008	R 510 251.00	R 0.00	R 0.00	R 0.00	R 0.00	R 510 251.00
JAN 2009	R 2 497 930.00	R 0.00	R 0.00	R 0.00	R 0.00	R 2 497 930.00
FEB 2009	R 2 054 046.00	R 0.00	R 0.00	R 0.00	R 0.00	R 2 054 046.00
MAR 2009	R 0.00	R 1 028 068.00	R 0.00	R 0.00	R 0.00	R 1 028 068.00
APR 2009	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
MAY 2009	R 8 480 070.00	R 1 151 514.00	R 0.00	R 0.00	R 0.00	R 9 631 584.00
JUN 2009	R 3 693 363.00	R 1 838 763.00	R 0.00	R 0.00	R 0.00	R 5 532 126.00
TOTAL	R 30 447 392.00	R 4 018 345.00	R 0.00	R 0.00	R 0.00	R 34 465 737.00

### 2.1.3. ELECTRICITY

#### Introduction

The Municipality as a licensed electricity distribution authority has the responsibility of providing quality of service to its consumers in accordance with the applicable Regulations and prescribed standards.

#### Core Responsibilities

The core responsibilities of this section include the following:

- Providing quality and uninterrupted supply of electricity to all domestic, business, industrial and rural consumers within its area of distribution.
- Maintaining the electricity distribution network in order to adhere to the prescribed standards.
- Upgrading of the electricity distribution network in order to accommodate population growth as well as business and industrial development.
- Monitoring electricity consumption of consumers by means of effective metering and visual inspections in order to minimize electricity losses.
- Providing accurate feedback to the monitoring authority National Electricity Regulator South Africa (NERSA) pertaining to quality of service and quality of supply in order to adhere to license conditions.

### 2.1.3.1. GENERAL

- In order to adhere to and achieve the mandated responsibilities it is imperative that all necessary resources be made available including: financial, operational equipment, machinery and human capital to be utilised in an optimal and efficient manner. Due to financial constraints the operational and human capital resources are affected negatively and this causes additional constraints that have to be managed in order to sustain the quality of service required.
- **Structure** - The Electricity Section consists of 3 Divisions namely Distribution, Consumption Care and Administration/Technical Support. A total of 101 positions are catered for on the organizational structure of this Section although only 60% of the positions are currently filled.
- **Power Station** - The Electricity Section has a Power Station under its assets although the Power Station is currently shut down and has not operated since 1997. Considering the current energy crises and the rising cost of electricity, a service provider was appointed to investigate the feasibility of refurbishing the power station and the possibility of operating it as a MT. An application was submitted to Eskom in December 2008 for Medium Term Power Purchase Program (MTPPP) to return to service the Power Station. However it was unsuccessful after the bidding and evaluation processes of Eskom.
- **Electricity Distribution Industry** - Following the signing of the co-operative agreement pertaining to the restructuring of the electricity distribution industry (EDI) a service provider was appointed by the EDI to undertake the investigation and study regarding the ring- fencing of the Electricity Section and the Section 78 process involved. After completion of this process a report will be submitted to Council for final approval.
- Service Provider Matachi and Associates has been appointed by EDI Holdings to undertake, inter alia, the functions of establishing a steering committee, ring-fencing the Electrical Section through a tri-party agreement. The item has been forwarded to Council for both the formulation of a steering committee under Section 78 and signing of the tri-party agreement.
- Energy saving initiatives - The municipality forms part of power conservation program (PCP) and energy conservation scheme as initiated by National Government to save and conserve energy. To this extend the following programs have been embarked upon: Installation of Compact Fluorescent Lamps (CFL's) - a total of 128,339 have been installed in the municipality. An investigation is also underway for the installation of energy saving traffic signals.

#### Financial

- The operation of the Electricity Section is totally dependant on the annual operating budget allocation. The main source of income is electricity sales which amounted to R 99,881,987 for the 2008/09 financial year. (R 82,768,161 in 2007/08)
- Projects such as the Construction of High Mast lights and installation of streetlights are funded by the Municipal Infrastructure Grant (MIG).
- Electrification projects are funded by the Department of Minerals and Energy (DME) although for the past few years no funding was received in this regard due to the fact that the allocated cost per connection are much less than the required amount especially regarding rural electrification where transformers and lines are required.
- The operating budget allocation received for 2008/2009 according to the was as follows:



**SUMMARY OF ELECTRICITY OPERATING BUDGET 2008/2009****A) ELECTRICITY SECTION TOTALS**

<b>EXPENDITURE</b>	
1. Salaries & Allowances	R 9,028,890
2. General Expenditure	R 1,625,437
3. Purchase of Electricity	R 51,953,067
4. General Expenses	R 476,000
5. Interest Expenses	R 1,224,005
6. Repairs and Maintenance	R 2,982,477
7. Departmental Expenses	R 211,500
8. Transfers	R 8,691,502
<b>Total Operating Expenditure</b>	<b>R 76,782,004</b>
<b>INCOME</b>	
1. Service Charges	R 90,108,088
2. Operating Grant	R 17,062,800
3. Fines (Tamper)	R 30,000
4. Other Income (Connection Fees etc)	R 1,011,422
<b>Total Operating Income</b>	<b>R 108,212,310</b>

**B) OPERATING EXPENDITURE BUDGET FOR VARIOUS ELECTRICITY SECTIONS**

<b>Electricity Administration</b>	
1 Salaries & Allowances	R 1,409,594
2 General Expenditure	R 225,126
3 General Expenses	R 364,000
4 Loss	R 589,126
5 Repairs and Maintenance	R 45,000
6 Departmental Expenses	R 7,000
7 Transfers	R 8,691,502
<b>Total</b>	<b>R 11,331,348</b>
<b>Electricity Generation</b>	
1 Salaries & Allowances	R 0
2 General Expenditure	R 1,284
3 General Expenses	R 7,000
4 Repairs and Maintenance	R 30,000
5 Departmental Expenses	R 4,500
<b>Total</b>	<b>R 42,784</b>

<b>Electricity Distribution</b>	
1.Salaries & Allowances	R 4,825,587
2.General Expenditure	R 539,769
3.General Expenses	R 30,000
4.Purchase of Electricity	R 51,953,067
5.Interest Expenses	R 1,224,005
6.Repairs and Maintenance	R 1,924,177
7.Departmental Expenses	R 200,000
<b>Total</b>	<b>R 60,696,605</b>
<b>Electricity Consumption Care</b>	
1.Salaries & Allowances	R 2,793,709
2.General Expenditure	R 859,258
3.General Expenses	R 75,000
4.Repairs and Maintenance	R 983,300
5.Departmental Expenses	R 0
<b>Total</b>	<b>R 4,711,267</b>

**TOTAL OPERATING EXPENDITURE: R 76,782,004**  
**TOTAL CAPITAL EXPENDITURE (MIG): R 1,750,000**

Details of funding for projects can be seen under the heading projects. As evident from the figures above the repairs and maintenance funding available in order to maintain the electricity distribution network throughout the year are limited and insufficient. According to NERSA standards a minimum of 5% of electricity sales should be allocated for repairs and maintenance. This constitutes an amount of R 4,505,404 and only R 2,982,477 was allocated in the 2008/09 budget.

Incidents such as the two 66kV oil cable breakdowns that were experienced during this financial year required specialized service providers and amounted to over R 500,000 each to repair. This unavoidable emergency expenditure exhausted the already insufficient repairs and maintenance budget. It is therefore imperative that an addition be made to the operating budget specifically for 66kV repairs and maintenance in order to avoid similar future occurrences and this should be funded from electricity sales.

The auction of older vehicles and equipment seriously impaired the operation of this Section and had a negative effect on service delivery in general. Due to the shortage of vehicles the cut off action could not be executed as required and this reflected negatively on the overall financial situation of Council. Resignations of personnel for which the post are still not filled are a challenge. Filling of vacancies takes prolonged periods.

Revenue enhancement - Challenges are experienced with meters that are being tampered with or unavailability of meters. The shortage of vehicles is also a challenge in this regard. External service providers are being utilized, but not extensively due to limited resources.

A total of 1,000 meters have been ordered whereby only 500 have been received and installed. The other 500 will be received once the supplier has received their payment.

**2.1.4. CONSTRAINTS**

- Shortage of vehicles
- Mechanical problems with vehicles and standing time involved
- Availability of funds and processing time of requisitions and vouchers
- Theft and attempted theft of cable and transformers
- Shortage of fuel and hours to refuel not practical
- Ageing of substation buildings and equipment
- Shortage of staff
- Shortage of meters and backlog of installations due to shortage of meters
- Costly repairs to 66kV oil cable ring
- Transfer of distribution areas from Eskom to the Municipality
- Funding for capital projects
- The above mentioned constraints all impacted negatively on service delivery due to additional work load, unproductive standing time, long waiting period for spares and equipment and unnecessary and avoidable damage to the infrastructure.

**2.1.5. PROJECTS****A) CONSTRUCTION OF HIGH MAST LIGHTS (PHASE 4)**

- Amount Allocated: R 1,750,000
- Source: Municipal Infrastructure Grant (MIG)
- Consultant: None (IN-HOUSE MONITORING)
- Contractor: Mafube Engineering Services

Summary: This project comprises of the construction of 6 x 40m high mast lights which are being constructed in Maokeng and Rammulotsi and allocated as follows:

Gelukwaarts	1 mast
Constantia	2 masts
Phomolong	1 mast
Rammulotsi	3 masts (1 replaced with streetlights at entrance road)

The above mentioned mast has been constructed and the mast in the Eskom distribution area is awaiting connection. Project is completed and will be commissioned approximately by the end of July 2009.

**B) CONSTRUCTION OF HIGH MAST LIGHTS (PHASE 5)**

- Amount Allocated: R 1,750,000
- Source: Municipal Infrastructure Grant (MIG)
- Consultant: None
- Contractor: Mayivuthe Contractors

Summary: This project comprises of the construction of 7 x 40m high mast lights which are being constructed in Maokeng, Brentpark and Rammulotsi and allocated as follows:

• Gelukwaarts	1 mast
• Lovedale	1 mast
• Phomolong	1 mast
• Brentpark	1 mast
• Rammulotsi	3 masts

This project will be completed during the 3rd quarter of 2009.

**C) REFURBISHMENT OF KROONSTAD CENTRAL SWITCHING STATION**

- Amount Allocated: – R 4,607,585 (Insurance Claim) + R 1,800,000 (Moqhaka own funding)
- Source: Insurance Claim + Own Funding
- Consultant: Lyon & Partners
- Contractor: Ukubona Holdings (Pty)Ltd

Summary: This project comprises of the refurbishment of the central switching station situated at the Electricity section in Marock Street including the replacement of the 18 x 6.6kV switchgear panels that were damaged in a fire. Due to the size of the new switchgear the building has to be extended.

The project will be completed during the 4th quarter of 2009

#### D) UPGRADE OF LV AND MV ELECTRICAL NETWORK IN SEEISOVILLE AND PHOMOLONG

- Amount Allocated: R 1,800,000
- Source: Own Loan Funding
- Consultant: Motla Engineering
- Contractor: To be appointed

Summary: This project comprises of the upgrade of the low and medium tension electrical network in Seeisoville and Phomolong.

The Consultant has been appointed and tenders will be advertised for a contractor within due course. However funds are not available.

#### E) REPLACEMENT OF CONVENTIONAL TRAFFIC LIGHTS WITH LED TRAFFIC LIGHTS

- Amount Allocated: Funding Proposals Required
- Source: Successful tendered should provide proposal for funding in form of grant etc.
- Consultant: None
- Contractor: To be appointed

Summary: This project comprises of the replacement of conventional traffic lights with energy saving LED traffic lights. The tender requires that the bidder provide funding proposals in the form of a grant to complete this project. No financially feasible proposal has been found.

Total Number of Job Cards issued	:	446
Total number of Job Cards completed	:	784
New Connections Completed	:	142
Conventional meters replaced	:	17
Conventional meters changed to Prepaid	:	134
Prepaid meters replace	:	195
Shifting of meter	:	131
Other services	:	165

Key Performance Indicator graphs of Distribution Section and Consumption Care hereto attached for illustration of time spent on various KPI's:

• Number of Consumers	:	27,656
• Prepaid Domestic	:	27,721
• Prepaid Business	:	920
• Conventional Domestic	:	2,492
• Conventional Business	:	1,435
• Bulk Metered	:	279
• Off Peak	:	14
• Rural Prepaid	:	422
• Rural Conventional	:	267
• Total number of units from Eskom	:	241,801,403
• Total Cost (excl VAT)	:	R 64,454,175
• See Annexure for graph		
• Total Number of units sold	:	221,288,163
• Total Amount(excl VAT)	:	R 99,881,987
		( See Annexure for graph )
• Total units lost (line losses incl)	:	16,368,501
• Cost of units lost (line losses incl)	:	R 8,437,007

See Annexure A for detailed figures in this regard.

**Energy bulk supply:**

The notified maximum demand (NMD) for Kroonstad had to be increased from 40 Mega Watt to 60 Mega Watt due to the higher demand for electricity. In order to distribute this additional 20 MW to the consumers in the critical areas various network upgrades will have to be done such as additional High and Medium Voltage cables and minisubs etc.

Negotiations are underway with Eskom in order to increase the NMD of Viljoenskroon from 5 Mega Watt to 10 Mega Watt. This upgrade is necessitated due to the upgrade of businesses in the industrial area and a higher demand in general by the consumers due to population growth.

Unlike with Kroonstad where Eskom already had the additional demand available Eskom will have to do a network upgrade at Viljoenskroon in order to supply the additional 5 MW and this will have a cost implication for Council. A quotation from Eskom is awaited that will be submitted to Council for consideration and approval.

The fact that certain planned areas for development, such as Northleigh situated next to Rammulotsi, are under Eskom jurisdiction delays the electrification of these areas due to the fact that funding cannot be granted to the Municipality before the area is transferred to Council's distribution license. An application has been lodged to NERSA in order to transfer Northleigh from Eskom's to the Municipality's distribution area and the various processes are being followed in this regard.

**2.2 DEPARTMENT COMMUNITY & EMERGENCY SERVICES**

The key performance areas within this department are as follows:

1. Civic Theatre
2. Cleansing Services
3. Kroonpark Holiday Resort
4. Library and Information Services
5. Parks, Sport and Recreation
6. Security
7. Traffic
8. Fire Brigade Services
9. Disaster Management & Crisis Call Centre

**2.2.1 CIVIC THEATRE**

VENUE	EVENTS 2007/2008	EVENTS 2008/2009
Civic Theatre	30	58
Allen Rautenbach Hall	61	64
Entertainment Hall	5	33
<b>TOTAL INCOME</b>	<b>R67,107</b>	<b>R94,130</b>



### 2.2.2 CLEANSING

#### Refuse Removal (Kroonstad, Maokeng, Brentpark)

	2007/2008	2008/2009
Cubic meters refuse removed	123,896	118,792
Loads of refuse removed	6,901	6,335
Uncontrolled refuse dumping	640	697

#### Bucket system services

SERVICES RENDERED TWICE A WEEK	2007/2008	2008/2009
Rammulotsi serviced twice a week is	550	700
Matlwangtlwang serviced twice a week is	160	10

#### CBD Cleaning Maintenance

Cleaning Campaign was held to clean corner dumps and open spaces. Streets in CBD areas are cleaned according to fixed schedules.

#### Maintaining Public Toilets

All public toilets within the Kroonstad area have been outsourced to private companies for cleaning. Council is still maintaining the toilets.

#### Problems experienced

Currently a serious shortage of personnel and lack of vehicles is crippling an effective refuse removal program. Vehicles have been sold on the auction and have not yet been replaced. This problem of vehicle shortage hampers effective supervision of the teams.

### 2.2.3 KROONPARK HOLIDAY RESORT

Kroonpark Holiday Resort's core function is to provide accommodation and leisure services to holiday makers and business travelers and to facilitate conferences. The local community of Moqhaka also utilises Kroonpark Holiday Resort.

#### The following improvements were done:

QUANTITY	DESCRIPTION	FUNDED BY
50	New double beds	Fezile Dabi District Municipality
	New linen	Internal
20	Air conditioners	Fezile Dabi District Municipality
8	Televisions	Internal
4	Fridges	Internal
2	Sleeper coaches	Internal

Minor regular maintenance is done on a regular basis.

### Caravan Camping Site and Lapa's

#### Progress:

- Two of the eight mini-bar fridges of the luxury caravan sites that were broken were purchased and all eight luxury caravan sites are fully operational again.
- The Bloekomhout Lapa also received a new deep fridge and a new four plate stove.
- Door handles, locks, shower doors, mirrors and leaking taps in all the ablution block's were replaced and fixed before the arrival of two motorbike rallies in March 2009 and April 2009.
- The two luxury caravan stands' geysers that were out of order for a few months were replaced.

### Swimming Pools

#### Future renovations and programs:

- The indoor heated swimming pool was fully operational until the middle of January 2009. Electrical wires of three of the heat pumps got damaged and two compressors that were totally damaged need to be replaced. In total, only two of the six heat pumps were operational. The failure of these heat pumps are caused by the fact that three of the current cold water circulation pumps that supply water to the heat pumps are out-dated and were never replaced when the heat pumps were installed. This has also resulted that the previous (old) water circulation pumps do not provide adequate water pressure flow from the swimming pool to the heat-pumps. The current winter temperatures also play a vital roll in the failure of these heat-pumps.  
Mr A Jacobs, the engineer that designed and installed these heat pumps, was at the resort to inspect the six pumps in January 2009 and has submitted a quotation to indicate the cost effect to repair all six heat pumps. Air-Lec, a private local company that specialise in air conditioners, solar heating systems and general electric repairs has assisted the resort to repair the electrical wires of three of the heat pumps. They will also submit a quotation to indicate the cost effect to repair the remaining three heat-pumps which are still broken. Two of the three heat pumps' compressors need to be fixed or replaced. The water circulation pumps that supply water to the heat pumps still need to be replaced because they are out-dated and do not supply adequate water pressure flow from the swimming pool to the heat-pumps.
- Air-Lec will also assist with restarting of the old geyser system as a back-up that will assist when ever there is a problem with the heat pumps and during the cold winter season.

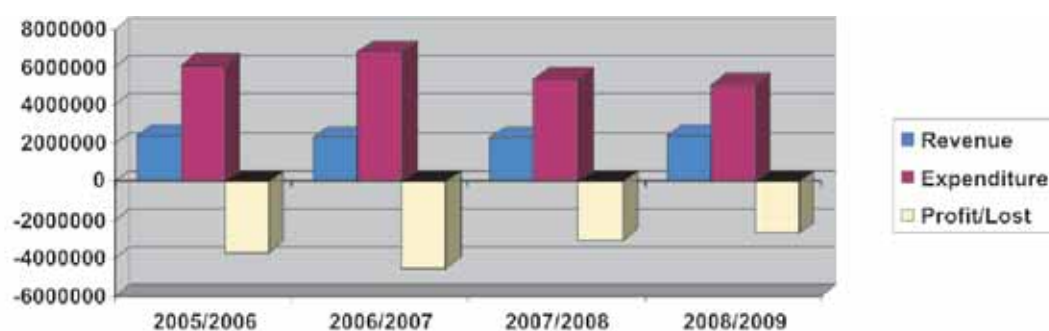
### General

#### Progress:

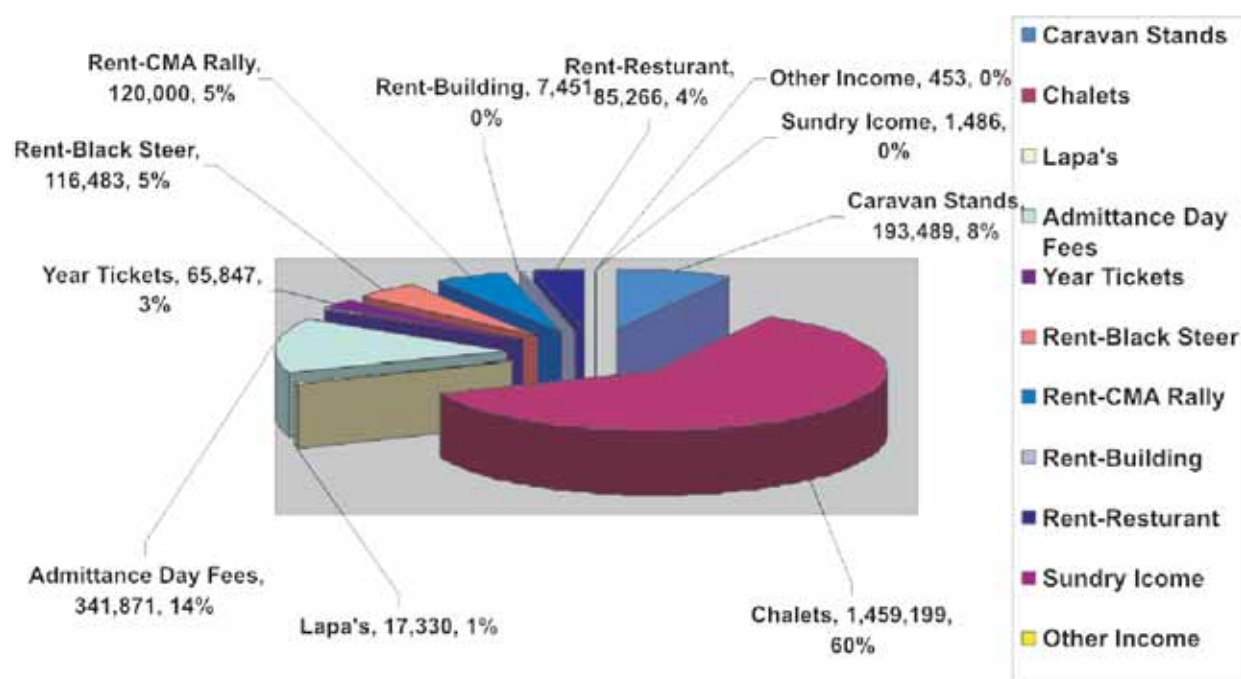
- The new long awaited hotel management system that was also funded by The Fezile Dabi District Municipality has been installed and launched at the beginning of October 2008. All reservations and bookings are being run on the system. This system caters for almost all the daily reservations, bookings and cash transactions. There are still a few challenges with the system.

### Financial Performances

FINANCIAL YEAR	Expenditure	Income	Loss
2005/2006	R6.1 million	R2.4 million	R3.7 million
2006/2007	R6.8 million	R2.3 million	R4.5 million
2007/2008	R5.4 million	R2.3 million	R3.1 million
2008/2009	R5.1 million	R2.3 million	R2.8 million

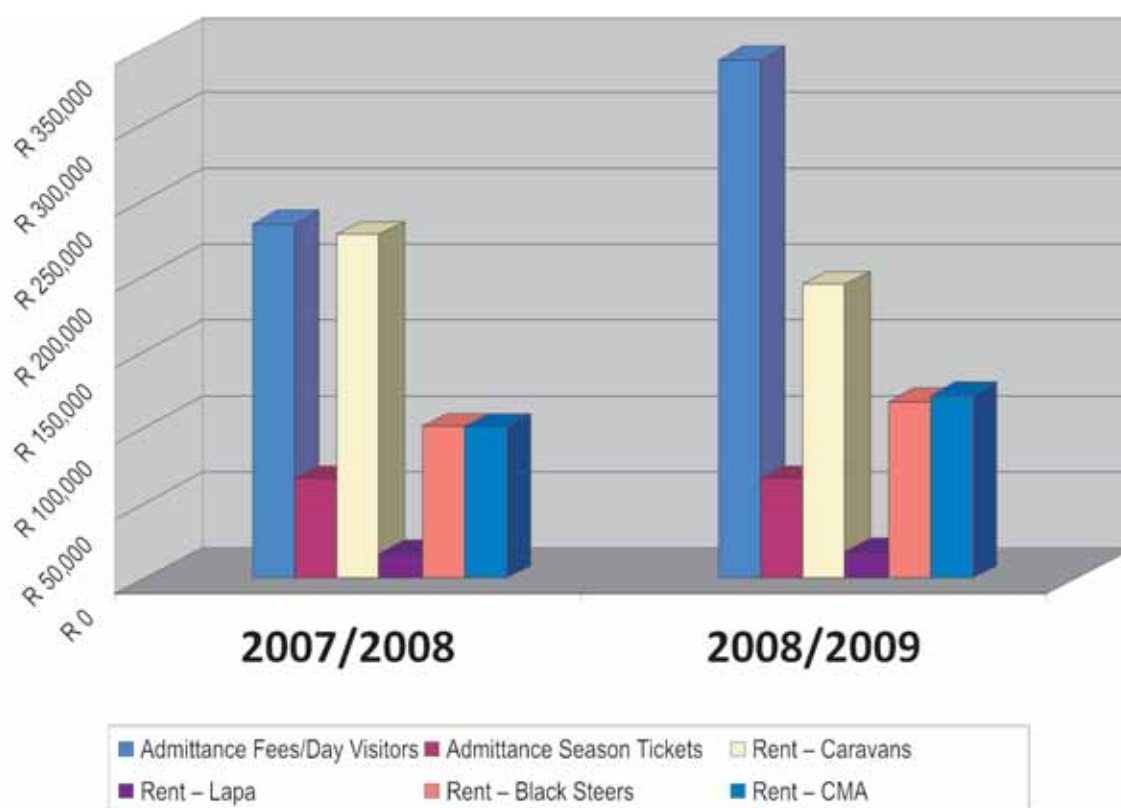


## STATISTICS OF OPERATING INCOME



## Operating income and main revenue contributors for 2007/2008 and 2008/2009

OPERATING INCOME		2007/2008	2008/2009
Admittance Fees/Day Visitors		R233,317	R341,871
Admittance Season Tickets		R65,887	R65,847
Rent – Caravans		R226,258	R193,489
Rent – Chalets		R1,602,250	R1,459,199
Rent – Lapa		R16,413	R17,330
Rent – Black Steers		R100,000	R116,483
Rent – CMA		R100,000	R120,000



**Statistics on chalets from October 2008 to June 2009:**

CHALETS										
Room Type: 2 Sleeper Chalets	OCT 2008	NOV 2008	DEC 2008	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	Total
Occupancy %	34%	46%	35%	38%	43%	51%	34%	37%	21%	38%
Room Type: 4 Sleeper Chalets	OCT 2008	NOV 2008	DEC 2008	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	Total
Occupancy %	21%	23%	26%	21%	34%	29%	20%	21%	22%	24%
Room Type: 6 Sleeper Chalets	OCT 2008	NOV 2008	DEC 2008	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	Total
Occupancy %	19%	29%	49%	50%	47%	37%	41%	47%	17%	37%

\* Statistics are only available from October 2008 when the Hotsoft system was implemented.

## Statistics on caravan stands from October 2008 to June 2009:

CARAVAN STANDS										
Stand Type: Normal Caravan Stands	OCT 2008	NOV 2008	DEC 2008	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	TOTAL
Occupancy %	3%	3%	13%	5%	2%	5%	7%	2%	1%	4%
Stand Type: Luxury Caravan Stands	OCT 2008	NOV 2008	DEC 2008	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	TOTAL
Day Guests	4%	0%	28%	7%	10%	5%	5%	4%	0%	8%
Stand Type: Normal Caravan Stands X 10	OCT 2008	NOV 2008	DEC 2008	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	Total
Occupancy %	1%	1%	6%	2%	1%	2%	2%	1%	0%	2%
Stand Type: Luxury Caravan Stands X 10	OCT 2008	NOV 2008	DEC 2008	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	Total
Occupancy %	1%	1%	6%	2%	1%	2%	2%	1%	0%	3%

## Financial performances for October 2008 to June 2009:

FINANCIAL YEAR	October	November	December
2007	R146,651	R200,935	R305,923
2008	R211,049	R227,606	R520,630

## Financial performances for December Festive Season for 2006, 2007 and 2008

Coloured arm tags are used to differentiate day visitors from chalet visitors and caravan campers and as a payment identification method during December holiday seasons.

2006/2007			2007/2008			2008/2009		
Date	Year	Total	Date	Year	Total	Date	Year	Total
16/17	Dec 2006	R78,320	16/17	Dec 2007	R75,440	16	Dec 2008	R48,605
25/26	Dec 2006	R96,079	25/26	Dec 2007	R65,318	25/26	Dec 2008	R91,549
1 <sup>st</sup>	Jan 2007	R45,475	1 <sup>st</sup>	Jan 2008	R36,664	1 <sup>st</sup>	Jan 2009	R41,950
<b>Total</b>		<b>R219,874</b>	<b>Total</b>		<b>R177,422</b>	<b>Total</b>		<b>R182,104</b>

## Projects that were funded by the Fezile Dabi District Municipality in 2008/2009

PROJECT		VALUE
1	New Computer Hotel Management System	R 85,000
2	New 5m X 15m swimming pool at caravan camping site	R 135,000
3	Renovation of Put-put course(Mini golf course)	R 80,000
4	Two new Jumping castles	R 30,000
<b>TOTAL</b>		<b>R 330,000</b>



## 2.2.4 MOQHAKA PUBLIC LIBRARIES

### Statistics for membership of nine (9) libraries

MEMBERSHIP	2007/2008	2008/2009
Adults	22,025	23,112
Juveniles	16,485	17,731
<b>TOTAL</b>	<b>38,510</b>	<b>40,843</b>

ENQUIRIES	2007/2008	2008/2009
<b>TOTAL</b>	<b>27,991</b>	<b>78,913</b>

BOOKS CIRCULATED	2007/2008	2008/2009
<b>TOTAL</b>	<b>139,846</b>	<b>11,262,676</b>

### Activities

There are some activities we celebrated outside the master plan and there are those we could not celebrate due to other work related matters.

### Library Week

The event was well celebrated at the following facilities and schools:

- Zenith Secondary School;
- Matete Secure Care Facility and
- Matete Secure Centre.

The event of Library Week took place in all of our libraries and some libraries chose different weeks to cover all the learners who were supposed to take part in the actual celebrations.

### Valentine's Day Celebration

This event was celebrated at the Tswelopele Public Library as a joint-venture with the Love Life Group. The Love Life Group is a group of young people who wanted to know more about what the day was all about and what it had in store for them.

### Internet Access

Our members access the internet service on daily basis and also the G.I.S. information is made available to them in most of our libraries on current issues related to Government Programmes and other related matters.

### Library Orientations

Library Orientations are run every year at the beginning of the year so that when the teachers give learners assignments, at least we have done our part in terms of introducing the library set-up to the learners.

We take a certain number of learners from different schools, be it Primary or Secondary, and conduct orientations. They serve us well ever since we started with the programme.

### 2.2.5 PARKS, SPORT & RECREATION

This Division is responsible for developing, maintaining and managing:

- Parks
- Trees, Pavements and open spaces,
- Cemeteries,
- Stadiums and other sport facilities like swimming pools, hockey, cricket and netball fields, bowling greens.
- Community halls, to ensure a proper service to public.
- The provision of adequate facilities and cemeteries to meet present and future needs.
- Events logistics, assisting with chairs, tables, PA, plant decorations and organising of council events.

#### Swimming Pools

Swimming Pool	2007/2008	2008/2009
Môrewag	R31,148 (12 Galas)	R42,067 (18 Galas)
Nyakallong	R 2,037	R 2,437
Brentpark	-	-
<b>Total income</b>	<b>R33,185</b>	<b>R44,504</b>

\* During the financial year 2007/2008 the income generated for Môrewag and Brentpark Swimming pools was paid into one vote number. When the new GRAP System was initiated no vote number was created for Brentpark.

#### Burials

CEMETERY	CHILDREN BURIALS	ADULT BURIALS	PAUPER BURIALS
Wespark	10	454	
Dinoheng	275	1,025	94
Brentpark	92	92	
Steynsrus	1	132	
Matlwangtlwang	30	31	
Viljoenskroon	3	74	
Rammulotsi	224	443	

#### Income

	2007/2008	2008/2009
Burial fees	R 548,657	R 594,199
Erection of tombstones	R 2,923	R 10,771
<b>Total income</b>	<b>R 551,580</b>	<b>R 604,970</b>

307 tombstones erected in Moqhaka.  
8 Exhumations and 12 re-internments.

#### Community Halls

The community halls in Moqhaka are used for many different events, ranging from shows, dances, karate, community meetings, funerals etc.

#### Income

2007/2008	2008/2009
R 36,796	R39,005

HALL	TIMES HIRED OUT	FREE USE
Constantia	52	92
Seeisoville hall	20	44
Seeisoville stadium hall	6	14
Nyakallong	31	21
Brentpark	70	43
Loubserpark	19	30
Viljoenskroon		
Rammulotsi	17	9
Steynsrus	6	3
Matlwangtlwang		
<b>Total for 2008/2009</b>		
<b>Total for 2007/2008</b>	<b>221</b>	<b>256</b>

### Trees and Pavements

The tree cutting team attended to the following complaints

2007/2008	2008/2009
52	105

### Mowing Programme

Parks and open spaces for Kroonstad and Maokeng are 1 088 416 m².

Sidewalks in Moqhaka consist of:

Kroonstad	698,0 km
Steynsrus	99,4 km
Viljoenskroon	187,5 km

As large a percentage as possible of these were mowed with available recourses, in a routine manner.

### Stadiums and Sport Fields

#### Income

STADIUM	2007/2008	2008/2009
Loubserpark	R1,043	R3,958
Brentpark and Seeisoville	R1,331	R1,596
<b>Total Income</b>	<b>R2,374</b>	<b>R5,554</b>

109 Soccer pitches marked  
 27 Cricket pitches marked  
 23 Hockey fields marked.  
 31 Athletic meetings took place at Loubserpark.  
 15 Cricket tournaments took place.

### Cleaning Campaigns

- Marabastad Cleaning Campaign was assisted by the Department of Tourism, Environmental and Economic Affairs and the Department of Police, Roads and Traffic.
- Moqhaka Local Municipality entered the Cleanest Municipal competition. Unfortunately Moqhaka Local Municipality did not come first, but will enter again with the next competition.

### General

- 72 Official Council events took place where plant decorations were made, chairs and tables transported and the PA system was used.
- Herbicide was applied certain of the cemeteries and sidewalks, others will be attended to in due course.

### Events

The IDP reviews and 2009 /2010 Budget road shows presented by Council were logistically assisted by the parks division with tents, chairs, tables, sound and similar arrangements.

### Marabastad Cleaning Campaign



An intensive cleaning campaign was initiated to remove all the rubbish from Marabastad and mow grass ahead of the survey pegs planted for new erven. The entire works corps of the Parks division was busy here for three months before a contingent of temporary workers, supervised by staff from the division, took over to complete the work.

### Cleanest Municipality Campaign

Temporary personnel were utilised to clean Boikhutsong and Stilfontein cemeteries as part of the Cleanest Municipality project. They cut down unwanted trees and removed shrubs from the cemeteries. Problem areas in Viljoenskroon and Steynsrus were also attended too.

## Cleanest Municipality Campaign

Temporary personnel were utilised to clean Boikhutsong and Stilfontein cemeteries as part of the Cleanest Municipality project. They cut down unwanted trees and removed shrubs from the cemeteries. Problem areas in Viljoenskroon and Steynsrus were also attended too.



### 2.2.6 SECURITY

#### Aims and Objectives

- To ensure low crime risk areas in the municipality.
- To ensure the safety of employees and safe keeping of Council's property.
- To ensure the basic needs of the community to live in a safe environment according to the constitution.
- Encourage the employees and community to report all crime related incidents to the call center.
- Develop awareness programs in conjunction with the other role players.

DESCRIPTION	2007/2008	2008/2009
Warnings: minor offences	211	135
Summons	0	30

#### Investigations and Information

DESCRIPTION	2007/2008	2008/2009
Internal	59	0
External	7	0

#### Disciplinary Action

DESCRIPTION	2007/2008	2008/2009
Internal	12	0
External	6	0



**Meetings**

DESCRIPTION	2007/2008	2008/2009
Internal	69	0
External	56	0

DESCRIPTION	2007/2008	2008/2009
Site inspections	10,522	14,065

DESCRIPTION	2007/2008	2008/2009
Alarm inspections	430	287

**2.2.7 TRAFFIC DIVISION**

- Responsible for Law Enforcement and education to the Community.

**Prosecutions:**

DESCRIPTION	2007/2008	2008/2009
Quantity	16,517	10,959
Monetary Value	R 360,563	R 2,414,205

**Notices:**

DESCRIPTION	2007/2008	2008/2009
Section 341 notifications	13,950	8,639
Section 56 notifications	2,378	2,320
Total	16,328	10,959

**Income from traffic fines, Escort duties & Sundry Income:**

Traffic Fines	R660,615
Escort Duties	R 12,828
Sundry Income	R 21,682

**Summons:**

DESCRIPTION	2007/2008	2008/2009
Successful	1,197	925
Charges reduced	73	446
Unsuccessful	872	48
Total	2,142	1,419

**Warrants of arrest: (WOA)**

DESCRIPTION	2007/2008	2008/2009
Warrants of Arrest issued and received	884	1,087
Warrants of Arrest executed	181	358

### Accident Hot Spots:

The nine worst accident locations in the Municipal Jurisdiction of Moqhaka:

- Orkney Road (Vierfontein)
- Smalldeel Road (Maokeng)
- Reitz Street (Kroonstad CBD)
- Cross Street (Kroonstad CBD)
- Tang Street (Maokeng)
- Brand Street (Kroonstad CBD)
- North Road
- Viljoenskroon and Bothaville Crossing
- South Road

### Measures in place to curb accidents:

- Speed test
- Road side check points
- Upgrading of road markings

Total accidents on these roads: 3,736

### Accident and casualties:

Fatalities	50
Serious Injuries	227
Slight Injuries	784
Damages Only	3,023

### Road Marking & Traffic Signs:

#### Kroonstad

- Central Business District was painted and old traffic signs were replaced
- Damaged signs in the suburbs of Kroonstad were replaced.
- North Road
- South Road
- Reitz Street
- Smalldeel Road
- Various Streets in Maokeng were painted and damaged traffic signs were replaced
- All speed bumps erected in Maokeng, Brentpark and Kroonstad were painted.
- Traffic sign lines in Kroonstad, Brentpark and Maokeng were painted.
- The Subway was painted
- Viljoenskroon Road was painted

#### Viljoenskroon

- Various traffic sign lines and streets were painted.
- Rammulotsi – various streets and traffic sign lines were painted.
- Damaged signs were replaced and new sign were erected.

#### Steynsrus

- Various road markings were painted and traffic signs replaced.

### Training:

- One Traffic Warden was sent to the Matjhabeng Training College to be trained as a Traffic Officer.
- Sixteen Law Enforcement officers were updated on the National Road Traffic Act.
- The Chief Traffic Officer, Acting Superintendent Administration, one Traffic Officer and one Senior Clerical Assistant were trained in Administration Adjudication of Road Traffic Offences (AARTO).

## 2.2.7 MOQHAKA FIRE BRIGADE SERVICES

CALL STATISTICS	2005/2006	2006/2007	2007/2008	2008/2009
<b>1 TYPE OF CALL</b>				
Building	20	29	21	17
Electrical	3	6	2	6
Flammable Liq. & Gas	3	9	22	13
Grass & Trees	110	144	122	119
HAZMAT	35	29	38	29
Informal Building	11	10	26	32
MVA	155	165	186	177
Major	2	3	2	1
Miscellaneous	12	14	11	13
Rescue	25	29	45	43
Rubbish	7	9	8	17
Special Services	54	83	42	32
Vehicle	9	8	9	11
<b>SUB TOTAL</b>	<b>446</b>	<b>538</b>	<b>534</b>	<b>510</b>
<b>2 NO SERVICE</b>				
Alarm faults	4	0	2	0
Before arrival	30	19	19	24
Good intent	56	49	28	32
Malicious False Alarm	16	10	13	16
<b>SUB TOTAL</b>	<b>106</b>	<b>78</b>	<b>62</b>	<b>72</b>
<b>TOTAL</b>	<b>552</b>	<b>616</b>	<b>596</b>	<b>582</b>
<b>3 CAUSES</b>				
Cooking	13	19	17	15
Electrical	10	18	13	13
Heating	6	14	11	22
Malicious	5	7	6	4
Miscellaneous	112	109	98	65
MVA	177	190	231	220
Open light	115	159	130	141
Smoking	2	19	22	26
Unknown	3	3	3	2
Welding & Cutting	3	0	3	2
<b>TOTAL</b>	<b>446</b>	<b>538</b>	<b>534</b>	<b>510</b>
<b>4 METHOD OF CALL</b>				
Automatic alarm	1	0	2	0
Cell phone	129	292	285	283
Radio	28	13	11	11
Telephone	379	302	295	278
Verbal	15	9	3	10
<b>TOTAL</b>	<b>552</b>	<b>616</b>	<b>596</b>	<b>582</b>

## 5 LOSSES OCCURRED

Risk Building	R 18,885,000	R 16,980,000	R 20,102,000	R 22,091,000
Risk Contents	R 9,130,000	R 9,500,000	R 10,230,000	R 13,275,000
Insurance Building	R 18,885,000	R 16,980,000	R 20,102,000	R 22,091,000
Insurance Contents	R 5,392,000	R 9,500,000	R 10,230,000	R 13,275,000
Damage Building	R 1,444,000	R 3,100,000	R 4,573,000	R 7,330,300
Damage Contents	R 692,450	R 1,000,900	R 1,987,000	R 2,247,300
<b>TOTAL RISK</b>	<b>R 28,015,000</b>	<b>R 26,480,000</b>	<b>R 30,332,000</b>	<b>R 35,366,000</b>
<b>TOTAL INSURANCE</b>	<b>R 24,277,000</b>	<b>R 26,480,000</b>	<b>R 30,332,000</b>	<b>R 35,366,000</b>
<b>TOTAL DAMAGE</b>	<b>R2,136,450</b>	<b>R 4,100,900</b>	<b>R 6,560,000</b>	<b>R 9,577,600</b>

## 6 PUBLIC INJURIES

At Fires	1	0	5	5
At MVA	201	144	416	266
At Rescues	11	18	40	42
At Special Services	0	0	5	0
<b>TOTAL</b>	<b>213</b>	<b>162</b>	<b>466</b>	<b>313</b>

## 7 PUBLIC DEATHS

At Fires	2	0	5	5
At MVA	37	24	30	41
At Rescues	1	18	21	29
At Special Services	0	0	0	0
<b>TOTAL</b>	<b>40</b>	<b>42</b>	<b>56</b>	<b>75</b>

8	<b>WATER USED (KI)</b>	<b>71</b>	<b>145</b>	<b>253</b>	<b>356</b>
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9	<b>FOAM USED (Liters)</b>	<b>100</b>	<b>0</b>	<b>120</b>	<b>25</b>
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## 10 SERVICE CALL COMPLAINTS

AVM	20	82	0	104
Electricity	368	286	454	550
Roads/Storm water	3	6	5	16
Sewerage	191	124	277	291
Traffic	507	337	114	103
Water	151	115	124	154
<b>TOTAL</b>	<b>1,240</b>	<b>950</b>	<b>974</b>	<b>1,218</b>

11	<b>AMBULANCE</b>	<b>1,042</b>	<b>1,339</b>	<b>1,364</b>	<b>1,395</b>
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**12 FIRE SAFETY**

<b>OCCUPANCY CLASSIFICATION</b>				
Public assembly	7	8	16	6
Commercial services	6	11	7	3
Exhibition	0	2	2	0
Industrial services	16	19	11	7
Treatment of people	9	9	5	6
Shopping complexes	8	8	23	5
Offices & Banks	9	11	9	6
Housing	11	10	1	1
Storage places	6	10	8	6
Flammable liquids	5	3	14	23
Hydrants	370	623	565	102
Council buildings	30	37	37	15
<b>TOTAL</b>	<b>477</b>	<b>751</b>	<b>698</b>	<b>180</b>

<b>13 BUILDING PLANS</b>	<b>358</b>	<b>410</b>	<b>403</b>	<b>238</b>
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<b>14 FIRE SAFETY AUDITS</b>	<b>8</b>	<b>53</b>	<b>31</b>	<b>0</b>
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<b>15 PRE FIRE PLANNING</b>	<b>5</b>	<b>18</b>	<b>20</b>	<b>0</b>
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<b>16 FIRE INVESTIGATIONS</b>	<b>22</b>	<b>13</b>	<b>28</b>	<b>4</b>
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**TRAINING****17 FORMAL TRAINING**

Students	261	112	162	52
Training sessions	27	12	15	4

**18 PIER**

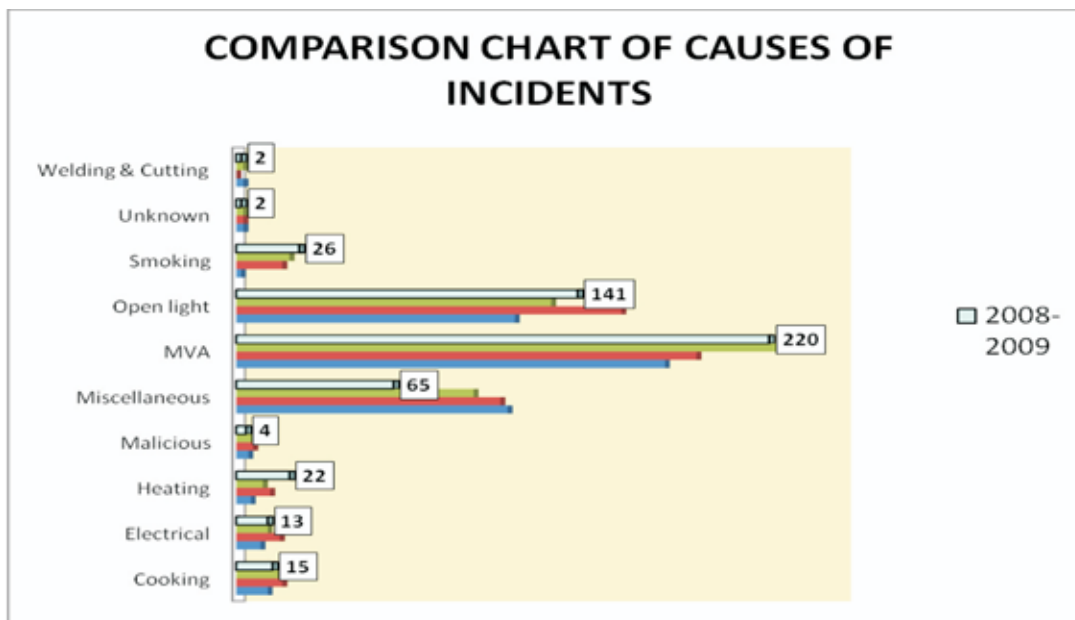
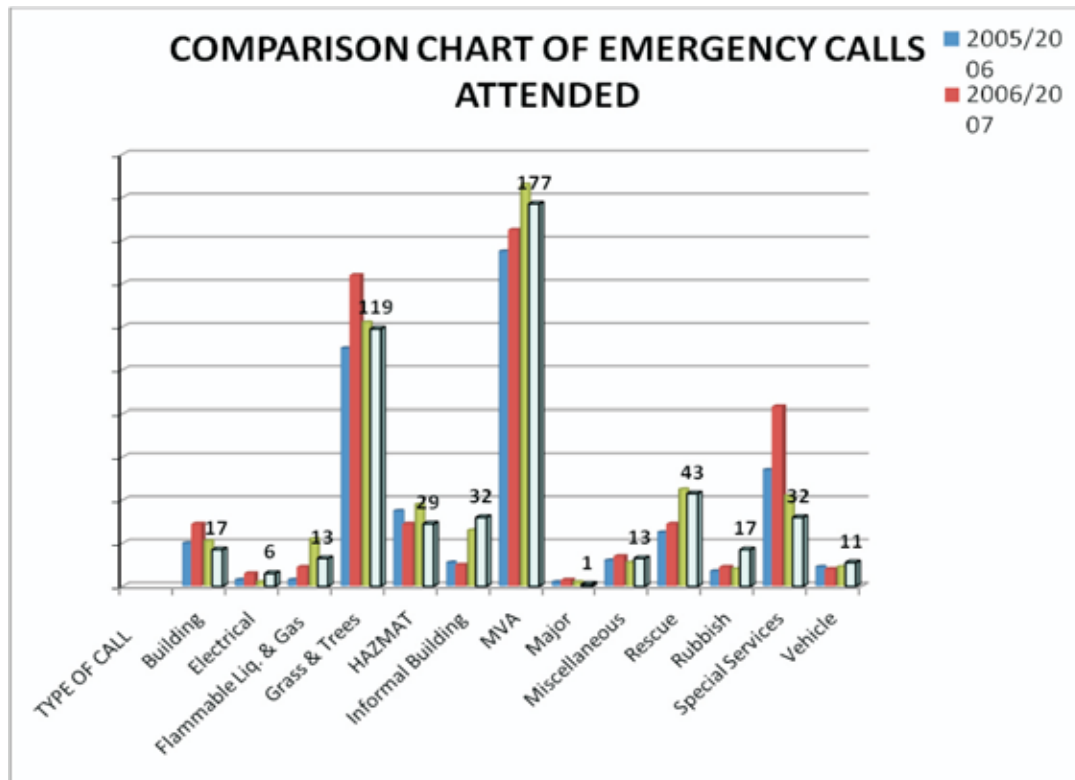
Organisations	11	8	21	3
Attendance	622	717	943	240
Schools	5	9	10	6
Pupils & Teachers	664	1356	537	560
Individual visitors	43	155	156	40

**19 LAW ENFORCEMENT**

Warnings	16	42	53	0
Prosecutions	4	2	2	0
Summons	0	0	0	0
Court appearances	0	4	4	0

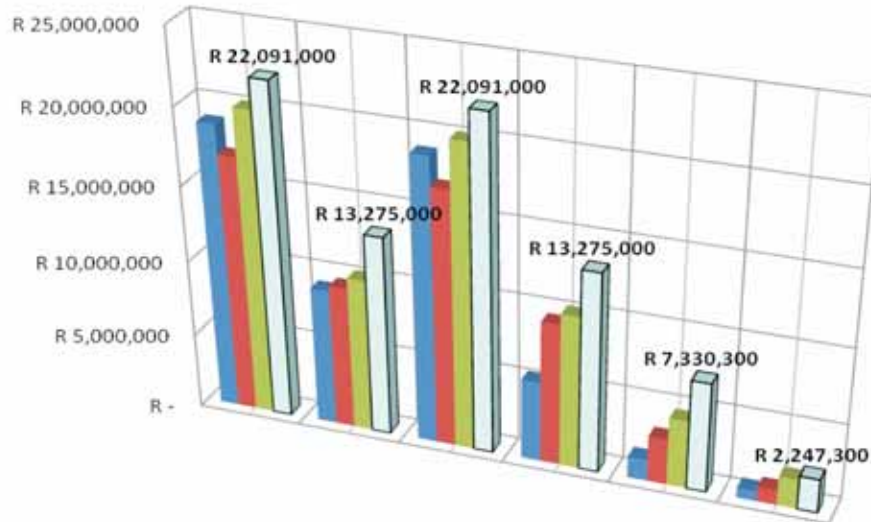
**20 REGISTERED PREMISES**

Flammable Liquids	7	10	18	12
Fireworks	0	11	0	0

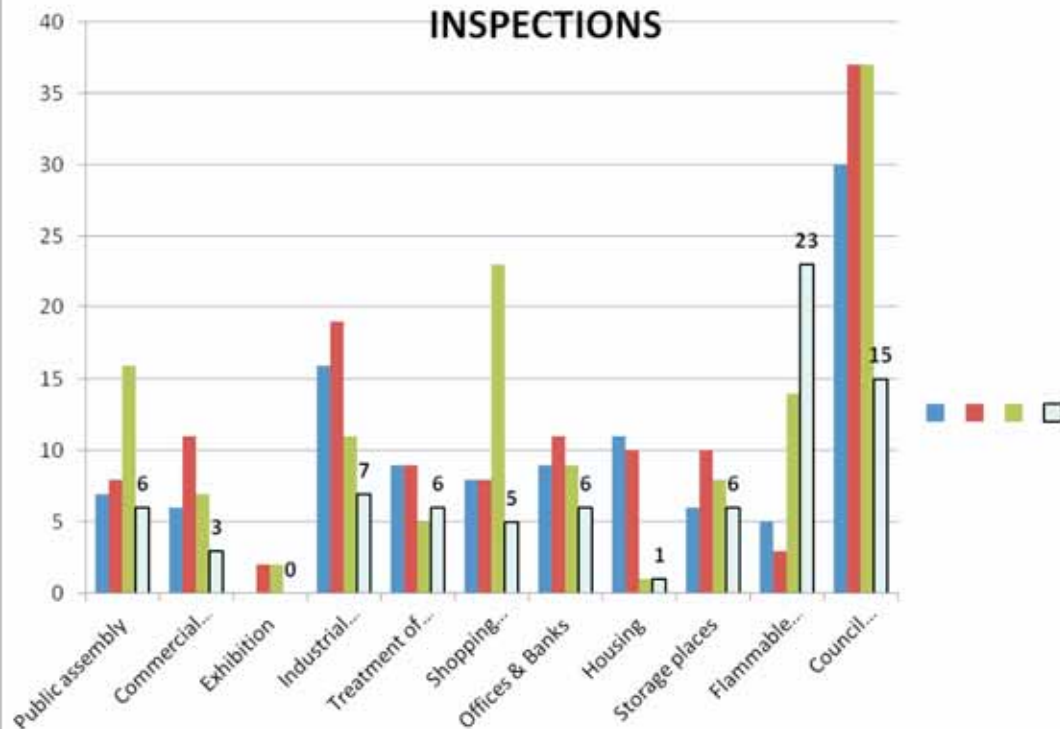




## COMPARISON CHART RISK, INSURANCE AND DAMAGES



## COMPARISON CHART OF FIRE SAFETY INSPECTIONS



## 2.2.8 MOQHAKA DISASTER MANAGEMENT AND CRISIS CALL CENTER ANNUAL REPORT 2008-2009

CRISIS CALL CENTER	2005/2006	2006/2007	2007/2008	2008/2009
<b>TYPE OF CALL</b>				
Ambulance	2,706	2,885	2,988	12,884
Fire (Urban)	55	48	57	65
Fire (Veld)	80	51	36	48
HAZMAT	0	1	0	3
MVA	0	101	114	155
Security	0	0	67	84
Traffic	169	110	125	172
<b>TOTAL</b>	<b>3,010</b>	<b>3,196</b>	<b>3,387</b>	<b>13,411</b>
<b>COMPLAINTS</b>				
Electricity	10,438	8,479	10,177	10,258
Miscellaneous	0	0	0	0
Roads	0	0	0	5
Sewerage	7,493	6,955	7,492	8,523
Storm water	0	0	0	5
Water	4,437	4,839	4,245	4,589
<b>TOTAL</b>	<b>22,368</b>	<b>20,273</b>	<b>21,914</b>	<b>23,380</b>

### FIRE PROTECTION ASSOCIATION

Sector leader activated	66	20	9	13
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DISASTER MANAGEMENT	2005/2006	2006/2007	2007/2008	2008/2009
<b>TYPE OF INCIDENTS</b>				
Air shows	0	1	0	0
Divers and Boats	0	1	0	0
Epidemics	1	0	0	0
Floods	0	0	0	0
Task team Planning	0	5	1	0
Water Crises	0	1	0	5
Windstorms	14	9	0	26
Workshops	0	5	0	6
<b>TOTAL</b>	<b>15</b>	<b>22</b>	<b>1</b>	<b>37</b>
<b>PROJECTS MEETINGS</b>				
Joint Planning Committee	0	4	6	12
Joint Planning Exercises	0	1	0	1

## 2.3. COPORATE SERVICES

Administration	Legal Section	Housing & Properties	Local Development (LED)	Economic	HR, Training and Occupational Health
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### 2.3.1 ADMINISTRATION DIVISION

This section is mainly responsible for registry, switchboard, typing, committees and general administration. In the financial year under review, this section had 21 positions. Only 15 are filled making 6 vacant.

#### Loss of working hours

The following work hours were lost due to the taking of leave:

Type of leave	Hours lost 2007/2008	Hours lost 2008/2009
Family responsibility and special leave	644h	296h
Maternity leave	512h	0h
Sick leave	2 146h	2 280h
Vacation leave	2 396h	2 512h
Late arrivals, left early and attended to private matters during working hours	885h	1 047h
<b>Total</b>	<b>6 583h</b>	<b>6 135h</b>

#### Training

Four members of staff attended a course in "Batho Pele Change Management Engagement Program - Training of Frontline Staff" in Kroonstad from 6 to 8 October 2008.

Four others also attended a course in "Electronic Records Management" in Kroonstad from 4 to 6 May 2009, while five staff members attended a course in "Policy Making" in Kroonstad from 7 to 8 May 2009, making a total of 13 staff that was trained.

#### Town Planning

The compiling of the Moqhaka Town Planning Scheme was concluded in January 2006 when it was submitted to the Free State Province for evaluation and promulgation. The Free State Province suggested some amendments to the Scheme and these were incorporated in the Scheme during 2007/08. The Scheme was again submitted to the Free State Province during March 2008 and promulgation thereof by the Province was indicated as November 2008.

On 10 February 2009 the Free State Province again had discussions with the acting Assistant-Manager: Corporate Services (Committees) regarding further changes that must be incorporated on the Moqhaka Town Planning Scheme. These changes were incorporated and the Scheme was again submitted to Free State Province for promulgation before the end of March 2009. This has not yet happened.

During 2004 the Free State Province gave Council a grant of R200 000.00 for the compilation of the Scheme.

## Vehicles

### Volkswagen Golf (CMX 802 FS)

Kilometers travelled: 2 946 km  
 Fuel consumption: 10.76 km/l

This vehicle has been decommissioned during February 2008 as it has become a hazard to drive.

### Yamaha Motorcycle (CDT 805 FS)

Kilometers travelled: 679 km  
 Fuel consumption: 18.50 km/l

### Yamaha Motorcycle (BYZ 904 FS)

This motorcycle was sold at the municipal auction held on 24 October 2008.

It is imperative that the vehicles, especially the Volkswagen Golf, be replaced as a matter of urgency as no inspections can currently be conducted.

## 2.3.2 VILJOENSKROON ADMINISTRATIVE UNIT

### Housing Section

This section is performing very poorly as reported previously. This is due to shortage of skilled staff, unacceptable working conditions, shortage of equipment, staff morale etc. This matter has been raised on several occasions but could not receive conclusive solutions.

In spite of all these odds this section managed to assist in the Off Farm Project, which is almost 85% complete. This project is for provision of houses for the RE Group employees in Phahameng. Basic infrastructure was well completed and this area is receiving minimum basic services. It should be reported that the supply of water in this area is not consistent and this needs to be rectified.

### Administration and Human Resources

Most of the work under this section is done at Head Office. Mr. G L van Straaten is the only official in Administration and his dispute has been outstanding since 2004. This raises a serious problem because we end up with underutilised personnel who are on the payroll but not contributing to providing services, as a result of the employer not being able to conclude issues and ensure that all personnel are optimally utilised.

Human Resources functions are also done in Head Office except leave applications. It is critically important that this matter be looked into very closely and appropriate actions be taken that is consistent with the strategic plan of this section.

### Office of the Regional Manager

The Office of the Regional Manager coordinates activities of various departments with the Head Office and the community to ensure consistent service delivery. It further provides support to other departments & sections and advance cooperation between departments for effective service delivery. It also provides administrative and technical support to political offices in performing their functions.

Challenges facing this office are the exclusion during the planning session of different departments. This problem makes it almost impossible to work as an integrated whole as per legislative mandate of local government. This is as a result of centralised management approach of an integrated institution and the two cannot be compatible.

The overall observation of this office with regards to service delivery is that there is a marked decline in providing quality services. This can be attributed to a number of factors ranging from absence of operational plans, shortage of personnel and equipment, low morale etc, which centers on absence of teamwork

## Parks

This section has been performing fairly well during this period, irrespective of the challenges alluded to above. It is through the support from this section that most other sections were also able to provide minimum services to the community.

It has also been very difficult for this section to maintain parks after 2 of their working Falcon machines were auctioned. The other challenge is the absence of a working TLB to assist in digging graves and we have to rely on municipal workers to do that function. The absence or non confirmation of an additional cemetery is a big challenge given the fact that existing cemeteries are almost full.

## Refuse Removal

This section has also performed fairly well as a result of dedicated employees. Services rendered to communalities include plus/minus 6,750 households, 170 businesses and almost 40 industrial premises. Each household is provided with services once a week, business three times a week and industrial area twice a week on average. These figures exclude plus/minus 750 households in informal settlements.

## Finance

The finance department is also performing fairly well while most of its staff members are engaged in learnership and other studies to upgrade and sharpen their skills. This exercise is paying off well as we can see improvement in their performance.

Meter reading has shown to be a challenge in this section because every time when accounts go out personnel must be sent out to verify readings and most of them prove to have been incorrect. This situation needs serious attention because it impacts on Council's revenue source.

Another challenge is the implementation of Council's debt collection and non-payment policy. It has been established that many people who can afford to pay for services are not doing so because of the non implementation of this policy. This matter needs to be looked into very critically.

Our stores are struggling due to lack of stock and material. Every time we need stock, we have to travel to Kroonstad. This has proven to be a costly effective exercise.

The average consumption of diesel and petrol over the period under review was 4,155 liters per month and 2,921 liters per month respectively. Even though our vehicles are not in a good condition to assist in efficient usage of fuel, we have managed to survive during difficult times of fuel price hikes.

## Technical Services

This report will not cover the department until such time that a meeting is held with its HOD or delegated official

## 3.3 LEGAL SECTION

This section provides legal assistance to the different Departments and Sections of the Council. As and when services of legal practitioners are required this section facilitates interaction between the legal practitioners and the personnel / department concerned.

Informal advice to officials of the Council on work related matters is given on a continuous basis by the Deputy Manager of the Department and the Administrative Officer Gr II.

Legal assistance does not only concern litigation matters and or claims against Council but also advise on internal procedural matters, policies and compliance with legislation in general and specifically applicable to Local Government.

A process which includes a public participation process to have the names of certain streets changed has been commenced. It is the intention to change the names of inter alia Reitz Street and Cross Street. Members of the public

were also invited to submit comments and suggestions on which other streets or places' names should be changed.

### **By-Laws**

The Property Rates Policy and By-Laws were subjected to a public participation process, which process ended on 6 July 2009. Although this is shortly after the period for this report, it is expected that the by-laws will be adopted and promulgated during July 2009. Since the previous report the Street Trading and Electricity By-Laws have been approved. The public participation process regarding these By-Laws will be commenced with in the near future.

The shortage of personnel to specifically assist with the project to repeal unconstitutional by-laws, thereby removing embarrassing by-laws from the previous dispensation from the books, still exist and no progress was made with this project.

### **Litigation/Claims**

Matters in this category are mostly handled by attorneys and/or Council's insurers. This Section, as mentioned, facilitates the communication between the attorneys and/or insurers and Departments concerned. New, as well as finalised claims are lodged on an intermitted basis. However, approximately sixty matters are in progress at any time. A large number of these claims concern damage to vehicles.

### **Asset transfer Regulations**

Asset Transfer Regulations were recently promulgated. Many aspects of these Regulations are not clear, an issue which was also discussed at the IMASA Congress (Institute of Municipal Administration for South Africa), of which both the Deputy Manager and Administrative Officer Gr II are members. Together with a working group established at the congress, clarity will be sought from the National Department of Finance on the matters.

### **Matter of interest**

The Cape High Court [Case No 7136(2008)] set an important precedent about councillor's liability. The following regarding this case is from the Local Government Bulletin, Volume 10, issue4. October 2008.

### **Key points of the Case**

- The Speaker of the West Coast District Municipality made a ruling that was both politically expedient and contrary to the Municipal Structures Act.
- The illegal ruling was supported by a majority of the councillors.
- The court ruled that the Speaker and the councillors who had supported the ruling should pay all the costs.
- A Councillor's immunity is not a license to take or support illegal decisions deliberately.

### **Comments**

This judgment is a telling reminder to councillors not to participate in or support illegal decisions, particularly when they have been advised against such decisions.

None of the offending councillors raised their immunity in the council as a defense, so the Court did not have to deal with that argument. The Constitutional Court has made it clear that immunity could possibly apply to decisions that appear to be unlawful.

In this case, however, the offence was deliberate and willful and taken against advice. In other words, even if they had raised the defense of immunity, it would probably not have been successful. A councillor's immunity is not a license to take or support illegal decisions deliberately.

### **2.3.4 PROPERTY SECTION (HOUSING AND PROPERTY SECTION)**

The main function of this section is to ensure the proper management of Council property, including the scrutinising of deeds of sale, deeds transfer and the completion of certificates signed by building inspectors and beneficiaries in respect of low cost housing. The property section consists of an Administrative and an Auxiliary / Cleansing section.



**Property Management – Statistical Data**

Correspondence drafted – Letters and memorandums combined:	530
Members of the public assisted:	370
Telephonic enquiries handled:	1,063

**Legal Function**

(This function includes drafting and scrutinising of Agreements/ Contracts within the property section as well as other departments within the institution).

Agreements & Transfers scrutinised and approved before signing by Municipal Manager: 54

Agreements drafted/compiled: 26

**ACQUISITION AND SALE OF LAND****Acquisition of land in Viljoenskroon**

The farm Northleigh (± 600 Ha in extent) was purchased from Mr. P Roux with the financial assistance from the Department of Land Affairs.

Mr. P Roux, the previous owner of the farm Northleigh, Viljoenskroon applied to Council to lease from Council, on a month-to-month basis some portions of the farm from date of registration, i.e. 1 April 2006. Rental in the amount of R115.00 per hectare was offered.

An off-farm housing project consisting of 300 houses for the Evans Group on a portion of Northleigh has been planned. Contractors are presently busy constructing houses.

Indaba Consultants have been appointed by Council to attend to the planning of the remaining portion of Northleigh. This project is financed by the Free State Provincial Government. The draft layout has been approved by Council in August 2008.

**VALUATION ROLL****General Valuation: 2008/2012**

Landdata Valuations was appointed by Council to prepare and conduct valuations for the period 2008/2012.

The valuation roll was completed, certified and handed to the Municipal Manager on 31 January 2008. Notices were placed in the media as well as the Provincial Gazette that the valuation roll was available and open for inspection until 13 March 2008.

**Interim Valuations**

Apart from the general valuations referred to above, it is expected from local municipalities to conduct supplementary (interim) valuations. In terms of the conditions of Council's agreement (tender) with Landdata Valuations, they will also attend to supplementary valuations.

A Supplementary Valuation Roll for the period January 2009 to 30 June 2009 has been compiled and will be dealt with in terms of Section 78 of the Municipal Property Rates Act (Act no. 6 of 2008).

**ACQUISITION OF LAND FOR TOWNSHIP DEVELOPMENT**

The Directorate Informal Settlement and Land Tenure of the Free State Province requested municipalities to provide information as to the extent of land to be acquired for Township development. A number of farm properties have been identified for acquisition.

## LAND AUDIT

Following an urgent need to conduct a comprehensive land audit, the Fezile Dabi District Municipality requested the National Department of Land Affairs to assist with this project. An action plan has been completed and the participating Municipalities have been requested to co-operate with Land Affairs in furnishing them with available information.

The firm, NetGroup appointed by the Fezile Dabi District Municipality, prepared a CD / DVD containing the GIS data, which was handed to Ms Q Nqezi of the Fezile Dabi District Municipality.

At a follow-up workshop held in May 2009, a compact disk containing details of all properties in the Moqhaka Region was submitted to the Municipality by the National Department of Land Affairs, which information is currently stored at Council's IT Section.

## ALIENATION OF IMMOVABLE PROPERTY

Tender 32/2008 for the sale of the property known as Lebenkeleng la Maokeng (Kiosk 3), situated in Station Street.

The Tender Evaluation Committee meeting was held on 20 November 2008 and the minutes of the meeting were made available during January 2009. The appointment letter was sent to the successful tenderer.

The purchaser of the property known as Lebenkeleng la Maokeng in Station Street signed the Deed of Sale and paid by cheque the full purchase price of R85 500.00 on 06 February 2009.

## SELLING OF 200 UNSERVICED RESIDENTIAL ERVEN IN ELANDIA

Tender no. 1/2008 for the alienation of the un-serviced residential erven in Elandia were advertised and eight (8) tenders were received.

The Tender Evaluation Committee meeting was held on 20 November 2008 and the minutes of the meeting were made available during January 2009. The appointment letter was sent to the successful tenderer. The successful tenderer failed to comply with the conditions of sale and the agreement was cancelled.

## PERFORMANCE DATA

### Long term goals of this position

- To rectify, where possible all previous incorrect contract and administration duties and fraudulent contracts and draft new property policies.
- To ensure that the Property section is managed properly;
- To ensure that excellent service delivery is always the first priority of this section;
- To identify all vacant Council property and ensure that is occupied;
- To increase the rental income derived from leasing of Council properties;
- To establish an accurate, updated register system;
- To update and implement new leases in order to ensure Council properties to be maintained properly.

### Areas for improvement

- Better co-operation from the Finance Department with regard to arrear rental accounts for municipal properties leased;
- Filling on an urgent basis the critical vacancies on the administration and general worker side of the Property section;
- Financial planning by the Finance Department would greatly assist in budget targets and priorities set by the different Departments within the Municipality;
- Regular training would be beneficial to improve management of the Property section.

### General condition of the property section

The Property Section is managed in a positive and honest manner and regardless of the critical vacancies experienced and other challenges faced, outstanding work is completed efficiently and professionally.

The Property section is generally in a good state, although still in a growing phase. Good service delivery remains the main aim of this section. A great concern remains over the critical vacancies experienced in both the general worker / cleansing and administration side of the property section. Lack of training made available to the property section, in especially in the line of managerial skills is troublesome. These challenges, unfortunately affect certain areas of work performance in that certain objectives cannot always be met as planned.

### 2.3.5 HUMAN RESOURCE SECTION

The table below indicates the setup in the financial under review

Post Designation	Approved	Budgeted for	Filled	Vacant
Assistant Manager: HR	Yes	Yes	Yes	No
Personnel Officer	Yes	Yes	No	Yes
Principal Clerk	Yes	Yes	Yes	No
Principal Clerk	Yes	Yes	Yes	No
Principal Clerk	Yes	Yes	Yes	No
Principal Clerk	Yes	Yes	No	Yes
Records Clerk	Yes	Yes	Yes	No
Clerk (V/kroon)	Yes	Yes	No	Yes
Clerk (Steynsrus)	Yes	Yes	No	Yes
Clerk (Administration)	Yes	Yes	No	Yes

### Training

During this financial year three (3) of the staff members i.e. Assistant Manager: HR and Principal Clerks underwent week long training in Pretoria.

### Human Resource Policy

A draft document on Human Resource Policy was compiled during this financial year for the purpose of proper control and movement of the Organisation's employees for the next financial year (2009/2010)

### Appointment of staff

An adopted staff appointment policy remains the document used for appointments; this may change to accommodate evolution of systems.

### Organisational Structure (Moqhaka Municipality)

- A summarised organisational structure indicating statistics is shown below.
- A reviewal of the organisational structure was made towards the end of this financial year in preparation for the next financial year.

Department	Approved	Terminations	Filled	Vacant	Total
Office of the Executive Mayor	7	0	7	0	7
Office of the Speaker	8	0	8	0	8
Office of the Council Whip	7	0	4	3	7
Municipal Manager	15	2	4	11	15
Corporate Services	89	3	70	19	89
Financial Services	92	3	69	23	92
Community & Emergency Services	540	18	496	44	540
Technical Services	475	27	297	178	475
<b>Total</b>	<b>1 233</b>	<b>53</b>	<b>955</b>	<b>278</b>	<b>1 233</b>

(Source: Human Resource Section Data)

### Leave

Leave administration remains a big challenge due to employees' inability to properly take leave, mainly because of shortage of staff. Interventions surrounding this matter are being exhausted going forward. This situation will be sorted out in the next financial year. The abuse of sick leave at the Municipality remains a critical and difficult challenge, but control measures whereby these cases are being identified and subsequently dealt with, with the assistance of the employees' immediate superior/s and union representative/s, are being implemented.

### Advertised Posts

The last time posts were advertised was during the 2007/2008 financial year. In addition to 17 filled the previous year, only a few posts advertised were filled (see organisational structure summary)

The consulting firm appointed by the Fezile Dabi District municipality for dealing with appointments continues to provide the expected services.

### Acting in positions

This practice still exists and remains a challenge. A policy on Human resource control has been drafted and is undergoing internal processes leading to adoption by Council. So far the number of acting positions has increased from 36 (2007/2008) to 42 (2008/2009), with some employees having been acting in these posts for several years.

### Temporary employees

Employees were appointed on a permanent basis after it was realised that these positions were needed.

### Contract employees

Section 57 employees and employees in the political office (Executive Mayor, Speaker & Whip) remain contract employees until termination, renewal or extension. Other than the aforementioned, a few were employed on short term contracts and were renewed based out of need and/or necessity.

### Termination of services

There were 53 employment terminations the below table illustrates reasons thereof:

Exit method	Number of employees
Retirement	11
Resignation	26
Ill health	1
Contract expiry	0
Dismissal	3
Death	12
<b>Total</b>	<b>53</b>

## 2.3.6 HOUSING DEPARTMENT

### Marabastad Status Report

404 Claims were lodged with the Regional Land Claims Commission as at 31 December 1998, which was the cut-off date for submission of claims. 223 claimants opted for financial compensation and a total of 181 claimants opted for land restoration. However, the figures changed due to the fact that some claimants changed their options from land restoration to financial compensation. The status as a result of these changes is as follows:

- Financial compensation claimants : 229
- Land restoration claimants : 175
- Financial compensation claims settled : 192
- Financial compensation claims outstanding : 37

With the assistance of the former Department of Local Government and Housing, a comprehensive socio-economic audit of Marabastad was done by THM Engineers between 2 February 2009 and 18 June 2009.

Former President Kgalema Motlanthe visited Marabastad on the 15th February 2009 and raised his concern about the living conditions of the residents of Marabastad and instructed Council to attend to the situation. Subsequent to this visit, the following developments took place in Marabastad:

- Township register for Marabastad was opened on the 18th May 2009;
- Roads have been re-graveled;
- A portion of A Location in Marabastad has been identified for the construction of houses for the land restoration claimants;
- A list of land restoration claimants has been submitted to the Department of Cooperative Governance, Traditional Leadership and Human Settlements for pre-screening and a response is still being awaited;
- Ivoyo Project Development Consultants have been appointed to provide water and sanitation services to 310 erven in Marabastad.

### Challenges

- Illegal occupants of land remain a big challenge in Marabastad. Council has adopted a resolution to relocate these illegal occupants to an area on the western side of Marabastad;
- Omitted erf numbers on the new general plan still have to be identified and stand owners to be allocated alternative sites;
- Re-numbering of erven still has to be done by the Technical Services Department in order to be able to link old erf numbers to new erf numbers.

## NEW TOWNSHIPS ESTABLISHMENT

### Matlwangtlwang

A township register for Matlwangtlwang Extension 2 comprising of additional 605 erven on the remainder of the farm Townlands of Steynsrus 508 was opened on the 5th May 2009. Funding for the provision of water services is still being pursued. An additional 600 erven on the remainder of the farm Vogelvlei 457 is still being negotiated with the assistance of the Department of Land Affairs for purchase of the farm.

### Rammulotsi

A further 4,000 erven at Northleigh farm have been pegged and provision of water and sanitation services is in progress. Opening of the township register is being awaited. Approval has been granted by the Free State Provincial Government for the amendment of the General Plan No. 897/1985 of Rammulotsi for the cancellation of erf 932 Rammulotsi (former Rammulotsi hostel) to be substituted by an additional newly created 37 residential erven. The amended General Plan has been submitted to the office of the Surveyor General for approval.

## Maokeng

A township register was opened on the 8 August 2008 in respect of Maokeng Extension 9, comprising of 646 residential erven, which is located in Seeisoville and adjacent to Kananelo Secondary School. An application for funds for the installation of water and sanitation services has been forwarded to the Department of Water Affairs and the Free State Provincial Government respectively. Responses are still being awaited in this regard.

A further 2,278 residential erven have been created in respect of Maokeng Extension 10 which is situated on the West Hill Small Holdings and adjacent to the Boitumelo hospital. The general plan has been submitted to the office of the Surveyor General for approval.

## IMPLEMENTATION OF COUNCIL RESOLUTION 252 ON THE REPOSSESSION OF SITES

At its meeting held on the 6 May 2008, Council adopted a resolution to repossess all the undeveloped residential sites whose owners have failed to occupy them but leased them to the tenants staying on them. Notices of the intention to repossess the sites were sent to the owners of the affected sites. An advert showing the affected sites appeared in the Kroonnuus newspaper dated the 27 January 2009 and stand owners were given until the 23 February 2009 to lodge objections against the intended repossessions.

Statistical data in this regard is as follows:

### Maokeng

Total number of sites affected	: 147
Objections received	: 35
Sites repossessed	: 80
Outstanding sites to be repossessed	: 32

### Matlwangtlwang

Total number of affected sites	: 84
Objections received	: 13
Sites repossessed	: 15
Outstanding sites to be repossessed	: 56

### Rammulotsi

Total number of affected sites	: 95
Objections received	: 35
Sites repossessed	: 37
Outstanding sites to be repossessed	: 23



**ADMINISTRATION**Correspondence handled

Incoming mail from conveyances	: 500
Outgoing mail to conveyances	: 525
Outgoing mail (general)	: 46
Clearance figures requested	: 357
Clearance certificates issued	: 692
Transfer Deeds registered	: 200
Cheques received	: 200
Electronic payments	: 25
Internal mail	: 15
Enquiries handled	: 32

**CHANGES OF OWNERSHIP**Maokeng

TOWNSHIP	TOTAL	ESTATES	DEEDS OF SALE/ DONATION	APPROVED	OUT- STANDING
<b>Marabastad</b>	6	5	1	1	5
<b>Brentpark</b>	16	9	7	15	1
<b>Seeisoville</b>	26	14	12	22	4
<b>Phomolong</b>	36	23	13	30	6
<b>Constantia</b>	106	52	54	80	26
<b>Gelukwaarts</b>	74	27	80	61	13
<b>Koekoe Village</b>	147	67	80	114	33
<b>TOTALS</b>	<b>411</b>	<b>197</b>	<b>247</b>	<b>323</b>	<b>88</b>

Rammulotsi

Deeds of Sale/Donation finalised	: 10
Deceased estates finalized	: <u>67</u>
Total	77

## CHALLENGES

### Transport

The section does not have an official vehicle to attend to official duties and obligations. The official vehicle was sold during an auction in October 2008 and no replacement of the vehicle was ever made. This state of affairs detrimentally affects service delivery. The vehicle is needed to conduct site inspections within Council's area of jurisdiction, resolutions of erven disputes and also to attend to any official obligations. Officials have to use their own private vehicles to attend to official duties, often without any financial compensation from Council.

### Shortage of staff

Due to lack of staff, this section is using temporary workers in order to execute some of the projects and Programmes. In most case, temporary workers cannot execute it professionally, due to lack of proper experience. Budgetary constraints also hamper service delivery.

## PROJECTS

### A. PROGRESS REPORT OF ALLOCATION OF HOUSING SUBSIDIES 2006/2007

	Bheki Kroonstad	Bheki Viljoenskroon	Distinctive Choice 712 (Kroonstad)	Inzuzo Trading CC 517 (Viljoenskroon)	Maokeng Housing Association
Number of subsidies allocated by DPLG & Housing	400	100	100	100	100
Number of applications submitted to DPLG &Housing	430	128	122	111	115
Number of applications approved	400	100	100	100	100
Number of registration	352	98	49	23	100
Number of houses 100% completed	400	100	100	100	100
Number of houses partially completed	0	0	0	0	0
Number of wall plates	0	0	0	0	0
Foundations	0	0	0	0	0
Outstanding	0	0	0	0	0

### B. ITSHOKOLELE SAVING SCHEME

- Number of subsidies of allocation by DPLG and Housing	50
- Number of application from submitted to DPLG and Housing	56
- Number of applications approved	50
- Number of registrations	50
- Number of outstanding foundation	1
- Number of wall plates	0
- Number of roofed houses	0
- Number of houses completed and occupied	49

**C. PROGRESS REPORT OF ALLOCATION OF HOUSING SUBSIDIES: 2007/2008**

	Bheki Viljoenskroon	Distinctive Choice 712 (Kroonstad)	Inzuzo Trading 517 (Viljoenskroon)
Number of subsidies allocated	300	100 +100	100 +100
Number of applications submitted to DPLG & Housing	423	196	140
Number of applications approved	300	122	106
Number of Title Deeds registered	61	0	0
Number of houses 100% completed	300	100	93
Number of Houses partially completed	0	0	0
Number of wall plates	0	0	5
Foundations	0	0	0

**D. PROGRESS REPORT OF ALLOCATION OF HOUSING SUBSIDIES: 2008/2009**

	Bheki Steynsrus	Bheki Kroonstad	Machabachaba Kroonstad	Snowball Viljoenskroon	Mminathoko Trading 117 CC Viljoenskroon
Number of subsidies allocated By DPLG and Housing	400 Scaled down to 300	400 Redirected to Qwaqwa 100	200	200	300
Number of application forms submitted to DPLG and Housing	331	82	218	253	222
Number of applications approved	277	89	185	159	200
Override request	1	10	6	12	1
Fail searches	30	11	28	37	25
Submitted to PHB for Approval	0	0	0	0	1
Received and send for initial searches	1	0	7	0	1
Verified and passed searches	0	0	0	0	0
Number of Houses partially Completed	53	0	0	0	0
Number of wall plates	37	0	44	0	48
Foundations	3	30	16	100	0

## E. OFF FARM PROJECT (RHYS EVANS GROUP)

Number of subsidies allocated	300
Number of application submitted to DLG&H	319
Number of subsidies approved	295
Override request	4
Failed searches	11
Number of Houses completed	198
Foundation	4
Wall plates	59
Renovation	25
Title Deeds Registered	285

## 16 DAYS OF ACTIVISM (SPECIAL HOUSING PROJECT)

### Kroonstad

Approved	10
Verified and passed searches	2
Override request	0
Failed searches and deeds search	4
Number of houses completed	10
Foundation	0

### Viljoenskroon

Approved	6
Override request	0
Failed searches, deeds search and ND search	2
Number of houses partially completed	5
Foundation	0

## 2.3.7 OCCUPATIONAL HEALTH DEPARTMENT

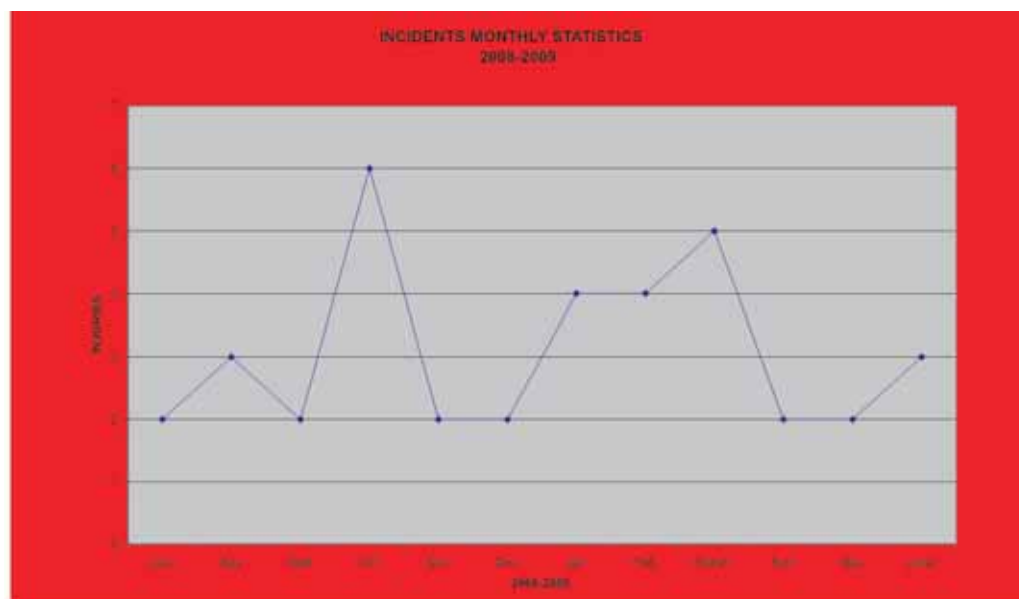
The main purpose of this section is to ensure safety at the work place. In the financial year under review, several interventions and measures were taken to ensure compliance with occupational health and safety standards in all the three towns, including private businesses in and around Kroonstad.

### Accidents

The following minor incidents occurred.

DEPARTMENT	SECTIONS	INCIDENTS
Technical Services	Water Works	9
Technical Services	Public Works	5
Technical Services	Electricity	4
Emergency Services	Parks	4
Emergency Services	Kroonpark	1
Emergency Services	Refuse removal	9
Finance	Income & Expenditure	3

The section managed to reduce the number of accidents as compared to the previous financial year. The graph below shows stats of the financial year 2008/09



Although the number of injuries has decreased, we are still facing challenges of lack of equipment and induction of new employees. Compliance by some of the heads of the department is still a problem. Another huge challenge is the abuse of alcohol and poor maintenance of machinery. Pre-medical examination is also a challenge.

### Training

Health and Safety Reps / Committees have started training in safety measures including procedures in their respective work. Contractors are also complying with the OHS by training their employees. As a result of these, Health & Safety status is improving.

### Medical Surveillance

- Employees from different Departments and Sections are annually taken to Welkom's, Oppenheimer Hospital for routine medical check-ups.

A total of **272 employees** were examined.

Financial year 2007-2008	Financial year 2008-2009
298	272
Referrals to Clinics and Doctors - 9	-

### 2.3.8 COMMUNICATION AND MARKETING

The main purpose of Communication and Marketing Section is to liaise with media. Through liaison, the section is able to enhance and maintain the good image of the Council.

In the year under review, the section was able to proactively issue 24 media statements and also handled plus / minus 51 media enquiries.

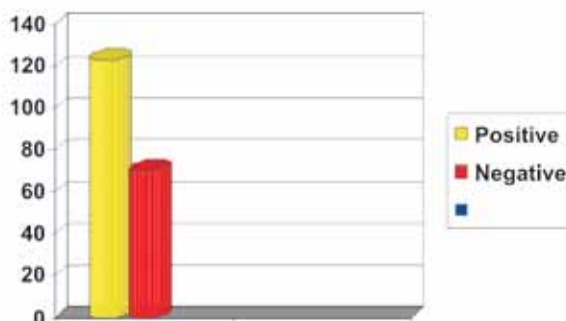
Most of the media enquiries result from water and sewer problems. The Council experienced many water and sewer pipe bursts. This attracted media attention & enquiry to determine what was being done to rectify these problems. It would seem that media was being hostile towards the Council, but they were just trying to find out about the happenings of the Council.

The section has also produced two issues of Moqhaka News. Through this medium, we are able to inform our communities.

#### Media Monitoring

Media monitoring and analysis of local and national newspapers (Sowetan, Kroonnuus, Volksblad, The Weekly, Daily Sun) 193

- Positive 123
- Negative 70



#### **2.3.9 LOCAL ECONOMIC DEVELOPMENT (LED)**

LED involves identifying and using local resources to create opportunities for sustainable socio-economic growth and employment. It involves creating an enabling environment to create growth. The Municipality's role is to promote and support local initiatives. The Municipality needs to forge strategic partnerships with local, regional, provincial, national and global structures to enhance and sustain economic growth, and also to integrate all diverse economic initiatives in a comprehensive approach to local development.

##### **Aim of LED**

LED aims to:

- To promote sustainable livelihoods
- Facilitate sustainable socio-economic projects and viable SMME's in order to create jobs and alleviate poverty,
- Create an environment which stimulates and enables socio-economic growth and improve general conditions in which business is done,
- To provide support and linkages between different role-players for a robust economic development.

##### **Summary of Performance in LED (KPA3)**

###### Objective 1

To facilitate active farming in all L-RAD Projects:

The Department of Land Affairs has an ongoing partnership with the Municipality to promote 2014 millennium goals of transferring 30% of land to the Previously Disadvantaged Individuals (PDI's) through programs such as LRAD, SLG, Commonages and PLAS.



The Department of Agriculture provided funding for the following L-RAD projects for 2008/09 within Moqhaka. The Municipality does not provide any funding. The Department of Agriculture assists emerging farmers with extension services, training and funding for infrastructure for different kinds of projects in the initial stages of their development. Hereunder follows a breakdown of Agriculture projects which have received funding and land redistribution projects for financial year 2008/09.

#### AGRICULTURE PROJECTS

PROJECT NAME	LAND TYPE	TOWN	ENTERPRISE	NEW ACTIVITY	BUDGET (R)
1.Naledi Trust	Restitution	Kroonstad	Poultry & Vegetables	Layers, Broilers, Cages, Seeds.	300,000
2.Fixane Trust	LRAD	Kroonstad	Beef	Reservoir, Troughs, Pipes, Fencing, Labour.	280.000
3.Mphosi Trust	LRAD	Kroonstad	Beef	Sighting, Drilling, Windmill, Fencing, Labour.	280,000
4.Mokonutlo Trust	LRAD	Kroonstad	Beef	Fencing, Drilling-Boreholes, Windmill.	228,000

#### APPROVED LAND REDISTRIBUTION PROJECTS

NO.	NAME OF FARM	TOWN	SIZE	PRICE
1.	Vlakdam	Kroonstad	603 ha	Not provided
2.	Lustvlei	Kroonstad	99.0080 ha	R3,540,000
3.	Kleinhansrust	Kroonstad	326 ha	R2,340,000
4.	Matli Trust	Kroonstad	463 ha	R2,056,330
5.	Motai Project	Kroonstad	129 ha	R2,100,000
6.	Avondzang	Kroonstad	368.4944 ha	Not provided
7.	Vogelvlei	Steynsrus	115.9997 ha	Not provided
8.	Monyadi Trust	Kroonstad	1015.8974 ha	R6,704,940
9.	Malindi Family Trust	Kroonstad	441.8727 ha	R3,395,000
10.	Katleho Project	Kroonstad	603.37 ha	R4,780,000
11.	Benoni	Steynsrus	1738 ha	Not provided

LAND REDISTRIBUTION PROJECTS AWAITING ASSESSMENT BY AGRICULTURE BEFORE APPROVAL TO PURCHASE.

NO	NAME OF FARM	TOWN	SIZE	PRICE
1.	Zwartkuil	Kroonstad	308,8480 ha	R3, 000 000
2.	Klippfontein	Kroonstad	564,4180 ha	R3, 000 000
3.	Middenspruit	Kroonstad	907.4568 ha	R7, 350,000

Strategies implemented to achieve objective 1 are:

- Liaising with the Department of Land Affairs for land acquisition for previously disadvantaged.
- Liaising with the Department of Agriculture to ensure projects acquire infrastructure and technical support,
- Liaising with Grain-SA (study groups) and Department of Agriculture and Agriculture focused businesses for agriculture-competence training of emerging farmers.

Objective 2

To implement measures that will contribute towards the growth of SMME's and emerging entrepreneurs:

- Strategy of mobilising all relevant stakeholders to improve the quality of local business management, has been realised by the establishment of a Business Service Support Centre at Jala Peo Trust premises, wherein all stakeholders are actively involved, i.e. SEDA, Jala Peo Trust, local banks, DBCM, Voorspoed Mine, Ponahalo De Beers Trust, Department of Labour, Kroonstad Business and Tourism, SARS, SABL, Ngwathe Municipality, and Moqhaka Municipality.
- Liaising with DTI and their Consultants:
- To provide Information sessions for SMME's
- Provide training of SMME's in DTI-programmes
- Assist SMME's to access DTI- incentives.
- Assistance with formation of Co-operatives.
- Support services to SMME's - FDDM trained the following SMME's:

ADVANCED ENTREPRENEURIAL COURSE

Name & Surname	Business Name	Business Address
Maserame Leburu	Mathe Sweet & Sour Catering	39 Vilonel Street, Steynsrus
Stanley Mfumba	Sabelo J.Productions	342 Rammulotsi, Viljoenskroon
Tladi Motangisi	Rammulotsi Building Supplies	1839 Rammulotsi, Viljoenskroon
Sibongile Magwa	Arise Catering Consultants	1 Steyn Street Steynsrus
Nomathemba Hlathi	Noqawe Construction	23369 Rammulotsi Viljoenskroon

BASIC ENTREPRENEURIAL SKILLS COURSE

Name & Surname	Business Name	Business Address
Pule Mofokeng	Pule Welding Works	209 Matlwangtlwang, Steynsrus

BASIC COMPUTER SKILLS COURSE

Name & Surname	Business Name	Business Address
Sibongile Magwa	Arise Catering Consultants	1 Steyn Street, Steynsrus
Maserame Leburu	Mathe Sweet & Sour Catering	39 Vilonel Street, Steynsrus
Nomathemba Hlathi	Noqawe Construction	23369 Rammulotsi, Viljoenskroon.

The remaining strategies have not been applied because of lack of personnel.

#### Objective 3

To actively promote industrial development that contributes to economic growth of the area:

- Inputs made in the SDF-processes for setting aside land for a Manufacturing-Hub in Maokeng. It is the only strategy utilised to achieve objectives. Personnel constraints prohibit further developments.

#### Objective 4

To support the expansion of the tourism potential of the area that will contribute to continued economic growth:

- Strategy 11 - To promote tourism in the area.
- Facilitation of DTI-information sessions on tourism support programs to prospective tourism product-owners.

All other strategies have not been used because of personnel constraints.

#### Objective 5

To ensure the implementation of poverty alleviation programs:

- Strategy 2 - To ensure the training of emerging entrepreneurs. - Has been implemented in collaboration with instances such as: Department of Agriculture, Grain SA, DTI, SEDA, Flavius Mareka FET College and the FDDM.

All other strategies could not be implemented due to lack of resources.

#### Objective 6

To support mining activities in Moqhaka:

Strategies have not been implemented because of personnel constraints.

#### Objective 7

To support development of Vredefort Dome (VD) as a National Heritage Site:

- Strategy is implemented as Moqhaka participate in processes for preparation for Declaration of VD as a National Heritage Site and later Proclamation as a World Heritage Site by UNESCO.
- Moqhaka as a custodian municipality will also play an active part in the Management of the Dome as World Heritage Site.

#### Objective 8

To facilitate the availability of land in order to implement food production schemes:

Strategy 4 - facilitation of land acquisition for food production and funding from government departments - is an ongoing process for both commonage land and emerging farmers.

Other strategies not implemented because of lack of resources.

#### Objective 9

To ensure implementation of poverty alleviation programs:

- No specific strategy implemented as Objective 5 already address same issue.

## EVALUATION OF LED - SECTION

### Challenges

- Resources are scarce both in terms of personnel and budget - the minimum amount of input determine the minimum output.
- The issue of personnel in LED is a crisis. Staffing of section is critical. A skeleton staff component implies lost opportunities for a robust local economic development.
- Motivated community members request to be served and inadequate resources risk them being demoralized. This is an opportunity that could be lost to activate the local economy.
- Lack of operating space for projects: the most projects operate from homes and cannot grow because of confined space.

### Opportunities

- Prevalence of highly motivated community members who want to better their lives, a lot of informal ventures have been started and it is the Municipality's responsibility to ensure enough resources are available to harness the potential and activate noteworthy development,
- Large tracts of agricultural land available in municipality and enough support from organised agriculture, private farmers, development organisations and anchor departments to provide infrastructure, grants for production, training and technical support.
- Availability of consumers, both direct and indirect.

### Strengths

- Ability of Moqhaka to have a positive relationship with stakeholders in the implementation of LED – initiatives e.g. partnership with SEDA, (SMME-development) and Kroonstad Business & Tourism Chamber (tourism development).

## 2.3.9 INFORMATION & COMMUNICATION TECHNOLOGY (ICT)

Information & Communication Technology is a fully functional division falling under the directorate of Corporate Services. Like all other divisions/sections under corporate services ICT is providing a complete ICT support to all municipal divisions both on political and administration offices.

The Municipality has recently appointed Manager ICT on the 1st of April 2009 and presently there are 5 employees manning the ICT Section including the Manager ICT. The ICT staff have been performing all ICT support activities including, but not limited to, Servers Planning, Policies and procedure developments, network and desktop supports and other application support).

A proposed structure for ICT is awaiting submission to Council for approval which would ensure a fully fledged unit that will provide Moqhaka Municipality with an integrated IT system which will serve all ICT requirements to enhance service delivery.

### Website

The development of a website for the Municipality is a legislative requirement in terms of the Municipal Systems Act. The municipality managed to develop its own website, and it can be browsed on [www.moghaka.gov.za](http://www.moghaka.gov.za)

### ICT System in place

There are nine (9) applications or systems running at Moqhaka Local Municipality and the following table illustrates the progress report on systems for the period 01 July 2008 to 30 June 2009 “Previous Financial Year”.

Application	Function / Description	Supplier	Progress report
Venus	Most important municipal System, used for both income and expenditure, billing, creditors payments, stores and fleet managements	BCX	The municipality has started with procedures to upgrade the current Venus to the web based e -Venus, the municipality has already purchased server for this purpose
Cash drawer	A Point of Sale application and is an interface to Venus system, and is used by all cashiers a round Moqhaka Local Municipality	BCX	Currently on the latest version of Cash Drawer.
Payday	Human Resource application used to control Municipal HR	BCX	Hardware server will be upgraded with that of e - Venus
Plessey	The pre-paid electricity system used around Moqhaka Local municipality	Syntel	It will be upgraded to S3 system during the current financial Year
Cash Focus	The application used for Bank Statements, Electronic payments of creditors and salary payments	ABSA BANK	Upgrading to the web based Cash Focus

Posbis, Secretar, Windeed, Phastphone, TCS traffic management and Hotsoft are also used in municipality for different purposes like traffic management, administration, bookings at Kroonpark.

#### Integrated IT System for Moqhaka

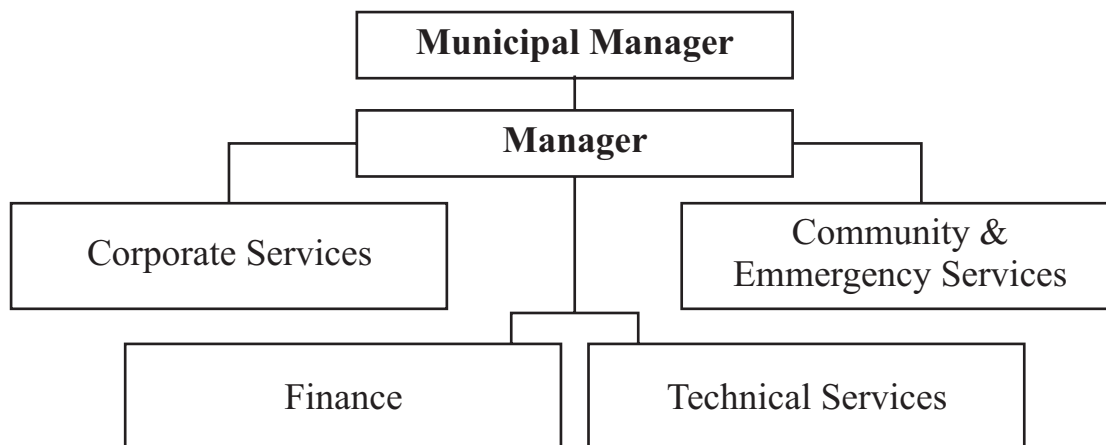
The Municipality needs an Integrated IT system that will provide all Municipal Information at the click of a button. All the above-mentioned systems, with other software relevant to municipal administration, need to be integrated so that the Municipality could be managed more effectively and efficiently.

Some sections are connected by wireless-connections. The sections are: Parks, Security, Fire Brigade and Electricity.

#### **2.3.10 DIVISION: LABOUR RELATIONS**

CHARGES	DICSIPLINARY	ARBITRATION	APPEAL	CONCILIATION	COUNSELLING	TOTAL	RULING IN FAVOUR OF COUNCIL	RULING AGAINST COUNCIL
Abscondment	1				1	2		
Application of collective Agreement						1		
Fraud/Dishonesty /Corruption	7	3				10	3	
Dispute unfair labour practice Bargaining Council		4				4	4	
Damage to Council Property	2					2		
Insubordination	2					2		
Gross Negligence	4	2	2			8		
Reckless Driving	1					1		
Under the influence	2					2		
<b>TOTAL</b>	<b>19</b>	<b>9</b>	<b>2</b>		<b>1</b>	<b>32</b>		

## Administrative Structure



**Mr. Mokete Duma**  
Municipal Manager



**Mr. James Lenyehelo**  
Manager: Finance



**Mr. Sipho Nhlapo**  
Manager:  
Corporate Services



**Mr. George Makaukau**  
Manager:  
Technical Services



**Mrs. Mpho Sepheka**  
Manager: Community  
& Emergency Services



## Political Leadership



**Executive Mayor Cnr:**  
**Mantebu Mokgosi**  
Chairperson



**Speaker Cnr:**  
**Jihad Mohapi**



**Cnr Whip:**  
**Justice Mareka**

## MEMEBERS OF MAYORAL COMMITTEE



**Cnr. E.R. Moletsane**  
Chairperson:  
Finance  
& Audit



**Cnr. D.A. Matshediso**  
Chairperson:  
LED & IDP



**Cnr. W.D. Nakedi**  
Chairperson:  
Sport,  
Art & Culture



**Cnr. M. Thipane**  
Chairperson:  
Infrustructure &  
Technical Services



**Cnr. S Mokwena**  
Chairperson:  
Public Safety



**Cnr. S.J. Matli**  
Chairperson: Housing &  
Community Development



**Cnr. M.L. Pieterse**  
Chairperson: Personnel  
of Administration

## BUDGET AND TREASURY

Key Performance Indicators (KPI's) are measurement criteria against which progress, output and outcomes can be measured. In this regard, the municipality is required to develop indicators that will measure its performance against its strategic plan. Similarly we as managers and staff have to develop indicators that enable the measurement of performance against their scorecards or work plans.

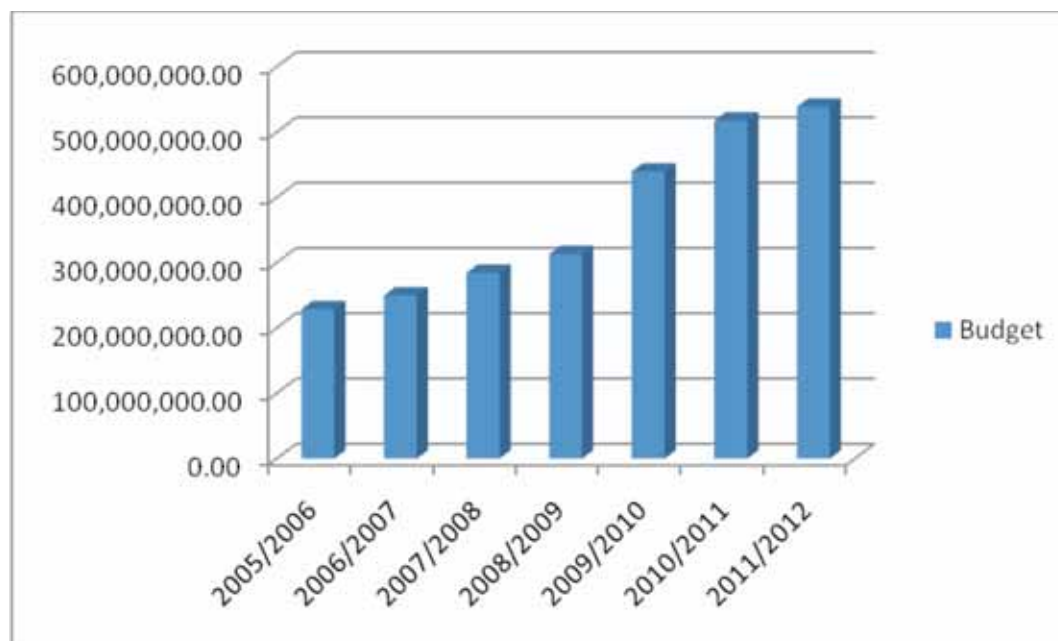
### 1. Operating Income:

#### Growth in budgeted income:

The average budget growth in revenue for the above years under review is 15.88%.

Year	Budget	Growth	%Growth
2005/2006	229,090,649	-	-
2006/2007	250,017,545	20,926,896	9%
2007/2008	284,739,792	34,722,247	14%
2008/2009	313,447,578	28,707,786	10%
2009/2010	440,000,000	126,552,422	40%
2010/2011	518,000,000	78,000,000	18%
2011/2012	539,000,000	21,000,000	4%

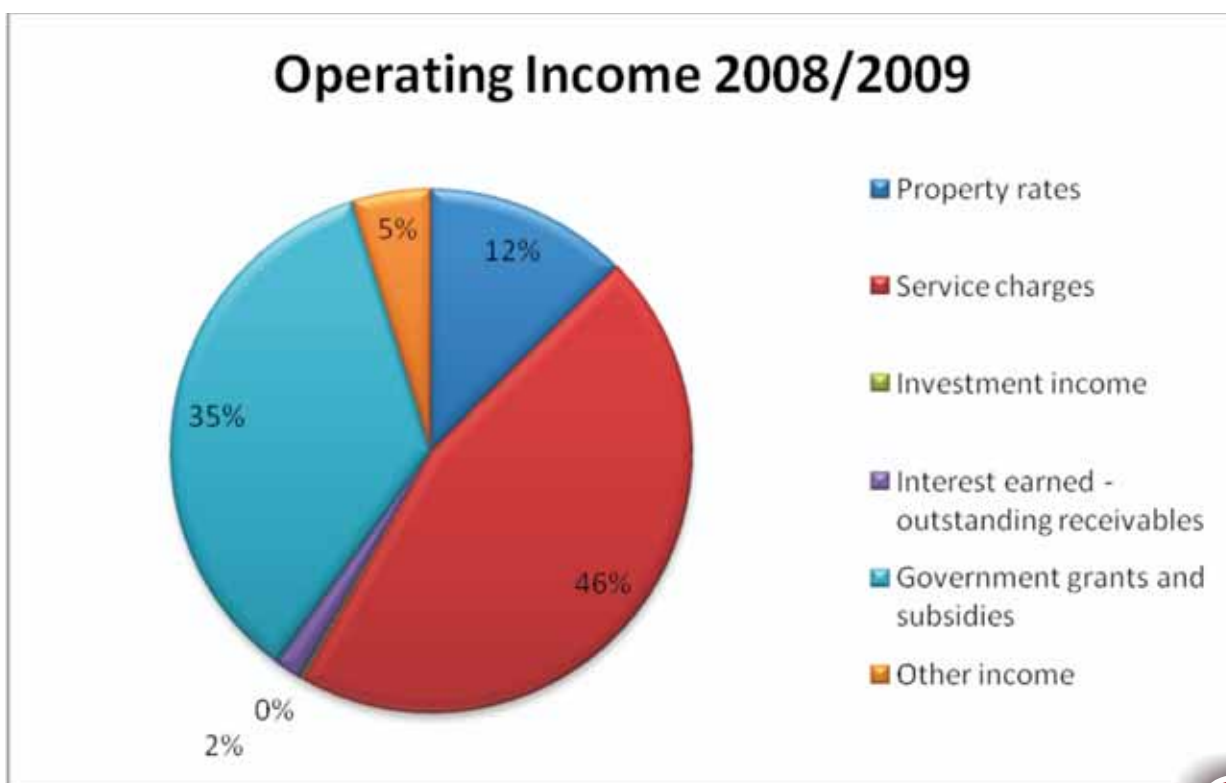
#### Graphical presentation of growth in budgeted income:



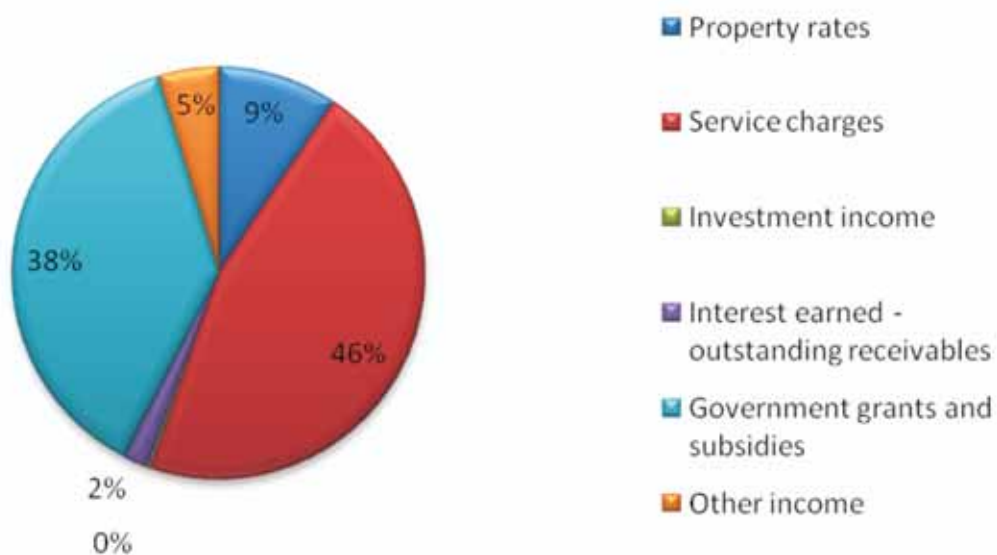
Comparison between actual operating income for 2007/2008 and 2008/2009:

	2007/2008	2008/2009			
	Actual	Actual	Budget	Variance between budget and actual	Growth in actual income
Property rates	24,992,090	38,687,846	34,742,000	3,945,846	55%
Service charges	121,659,575	140,055,331	150,126,730	-10,071,399	15%
Investment income	549,179	563,157	400,000	163,157	3%
Interest earned - outstanding receivables	5,250,726	5,223,689	11,000,000	-5,776,311	-1%
Government grants and subsidies	99,660,473	107,527,416	106,187,848	1,339,568	8%
Other income	12,609,099	15,051,183	10,991,000	4,060,183	19%
Total	264,721,142	307,108,622	313,447,578	-6,338,956	16%

- Actual income increased with 16% from 07/08 to 08/09.
- The total variance between actual and budgeted income for the 08/09 financial year was R6,338,956.

Graphical Illustration of Categories of income:

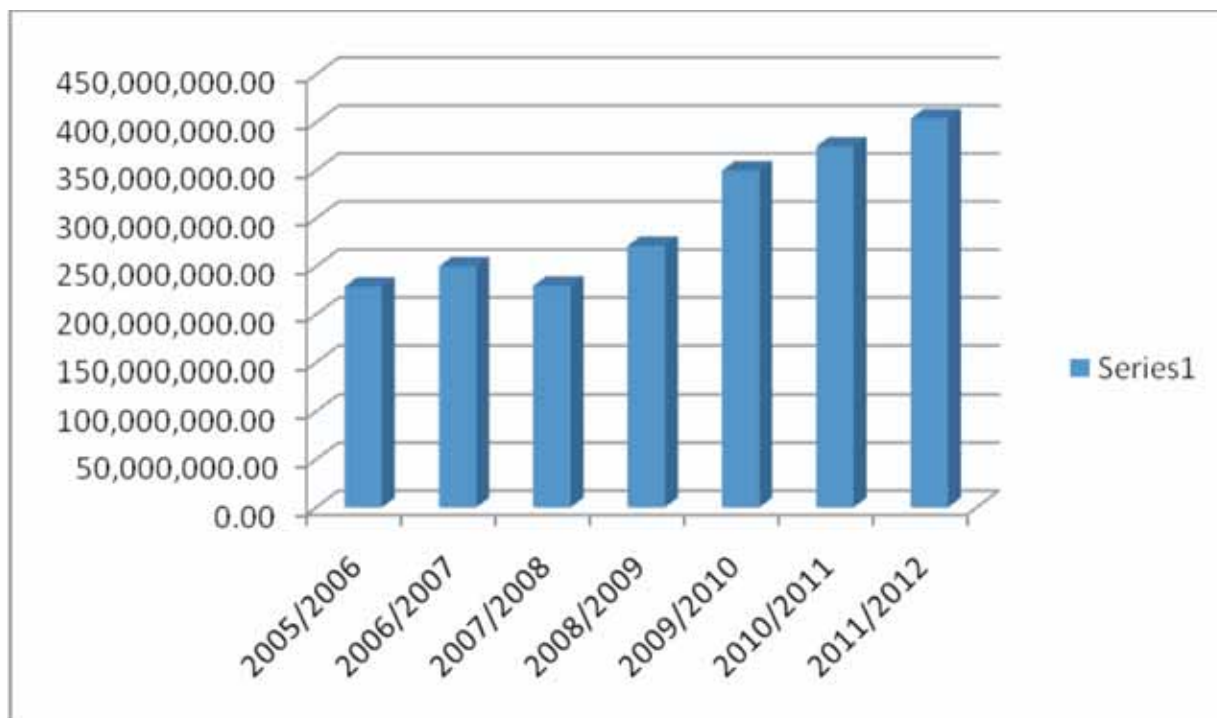
## Operating Income 2007/2008



## 2. Operating Expenditure:

### Growth in Budgeted Expenditure:

Years	Budget	Growth	% Growth
2005/2006	229,078,365	-	-
2006/2007	249,996,518	20,918,153	9%
2007/2008	229,943,326	-20,053,192	-8%
2008/2009	271,488,440	41,545,114	18%
2009/2010	350,000,000	78,511,560	29%
2010/2011	375,000,000	25,000,000	7%
2011/2012	404,000,000	29,000,000	8%

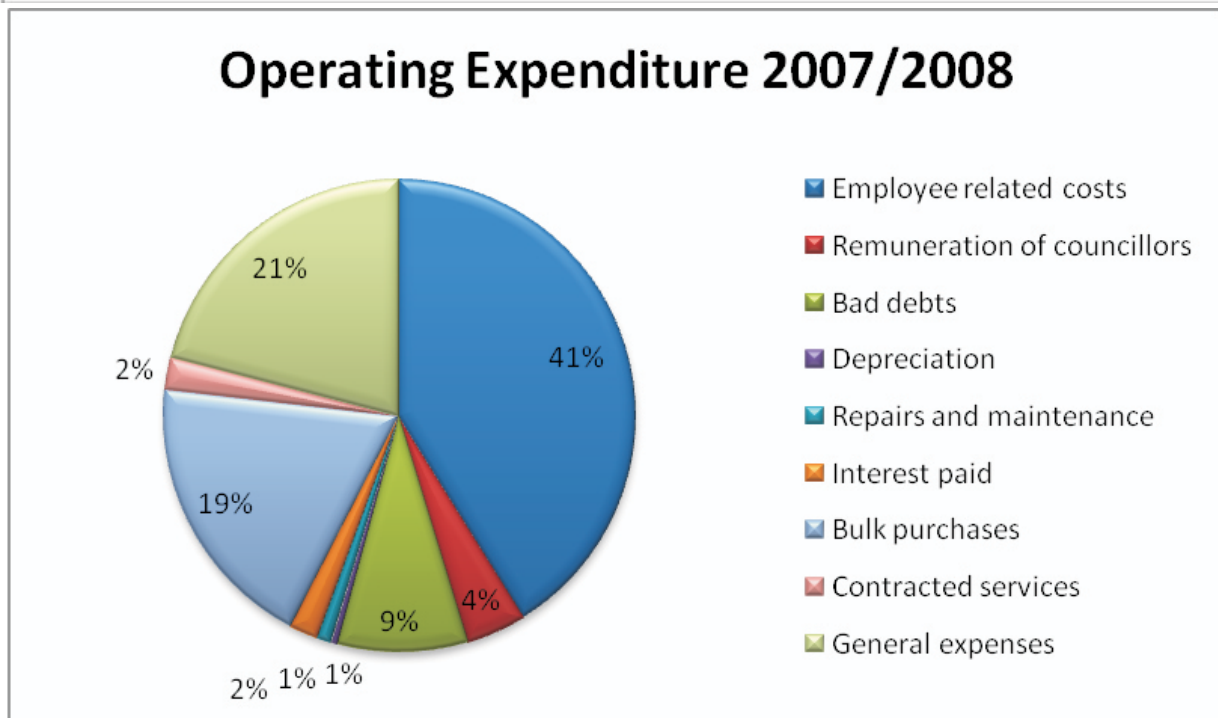
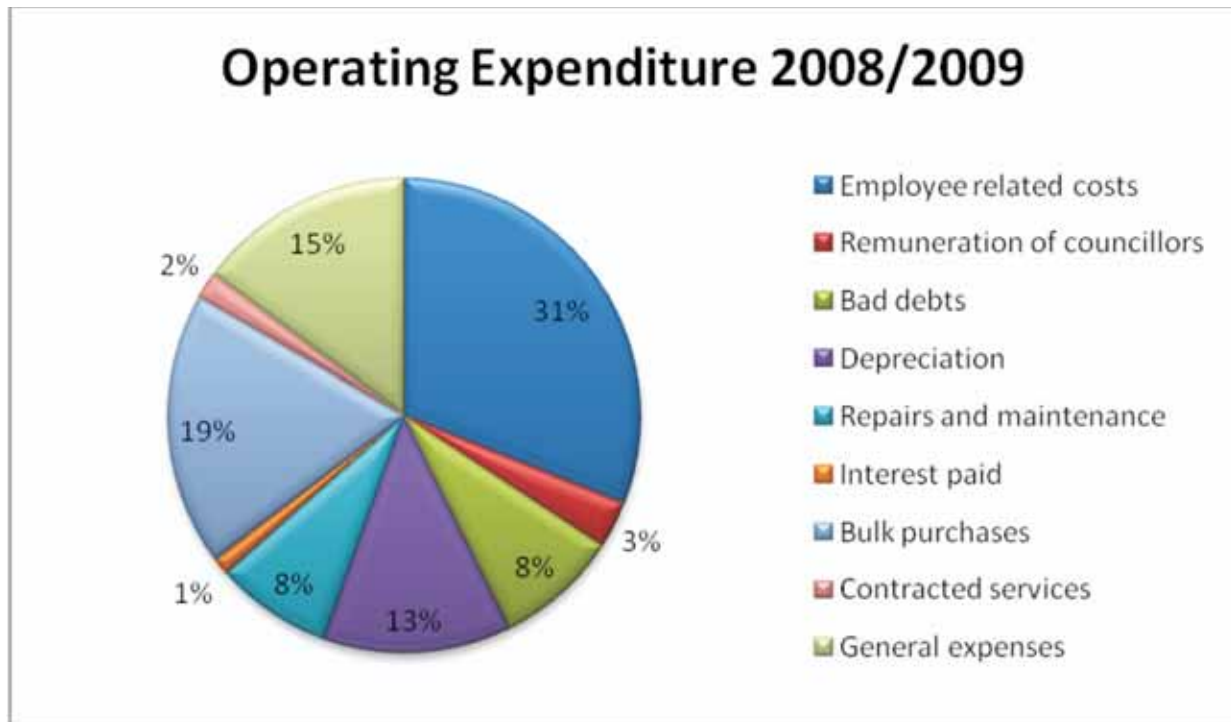
Graphical Illustration of Growth in Budgeted Expenditure:Comparison between actual expenditure for the 07/08 and 08/09 financial years:

	2007/2008	2008/2009			
	Actual	Actual	Budget	Variance between budget and actual	Growth in actual expenditure
Employee related costs	100,241,428	107,625,224	107,811,509	-186,285	7%
Remuneration of councillors	10,111,782	11,217,905	11,359,349	-141,444	11%
Bad debts	21,603,062	29,359,749	-	29,359,749	36%
Depreciation	989,281	44,602,512	-	44,602,512	4409%
Repairs and maintenance	2,391,050	27,890,763	18,620,008	9,270,755	1066%
Interest paid	4,884,911	4,184,771	16,774,884	-12,590,113	-14%
Bulk purchases	46,599,766	64,454,175	58,095,604	6,358,571	38%
Contracted services	5,425,188	6,336,442	9,919,100	3,582,658	17%
General expenses	51,137,856	51,676,082	48,907,986	2,768,096	1%
	243,384,324	347,347,623	271,488,440	75,859,183	43%



- Actual expenditure increased with 43% from 07/08 to 08/09 mainly due to increase in repairs and maintenance and increase in depreciation.
- The variance between actual expenditure and budgeted expenditure in 08/09 was R75,859,183.

Graphical Illustration of split between different categories of expenditure:

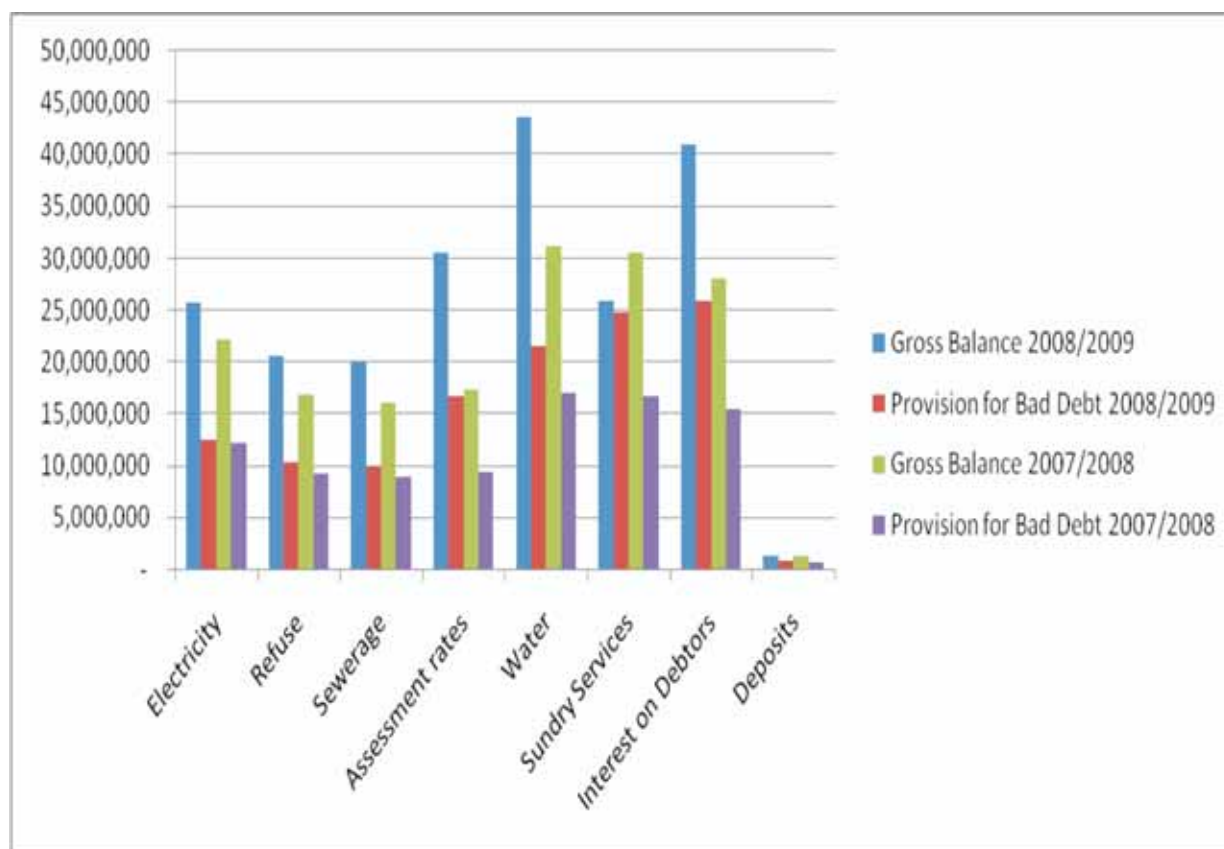


- The largest expense is employee related cost which is 31% of total expenditure in 08/09 and 41% of total expenditure in 07/08.



### 3. Consumer Debtors

Graphical Illustration of debtors per service:



Increase in Consumer Receivables:

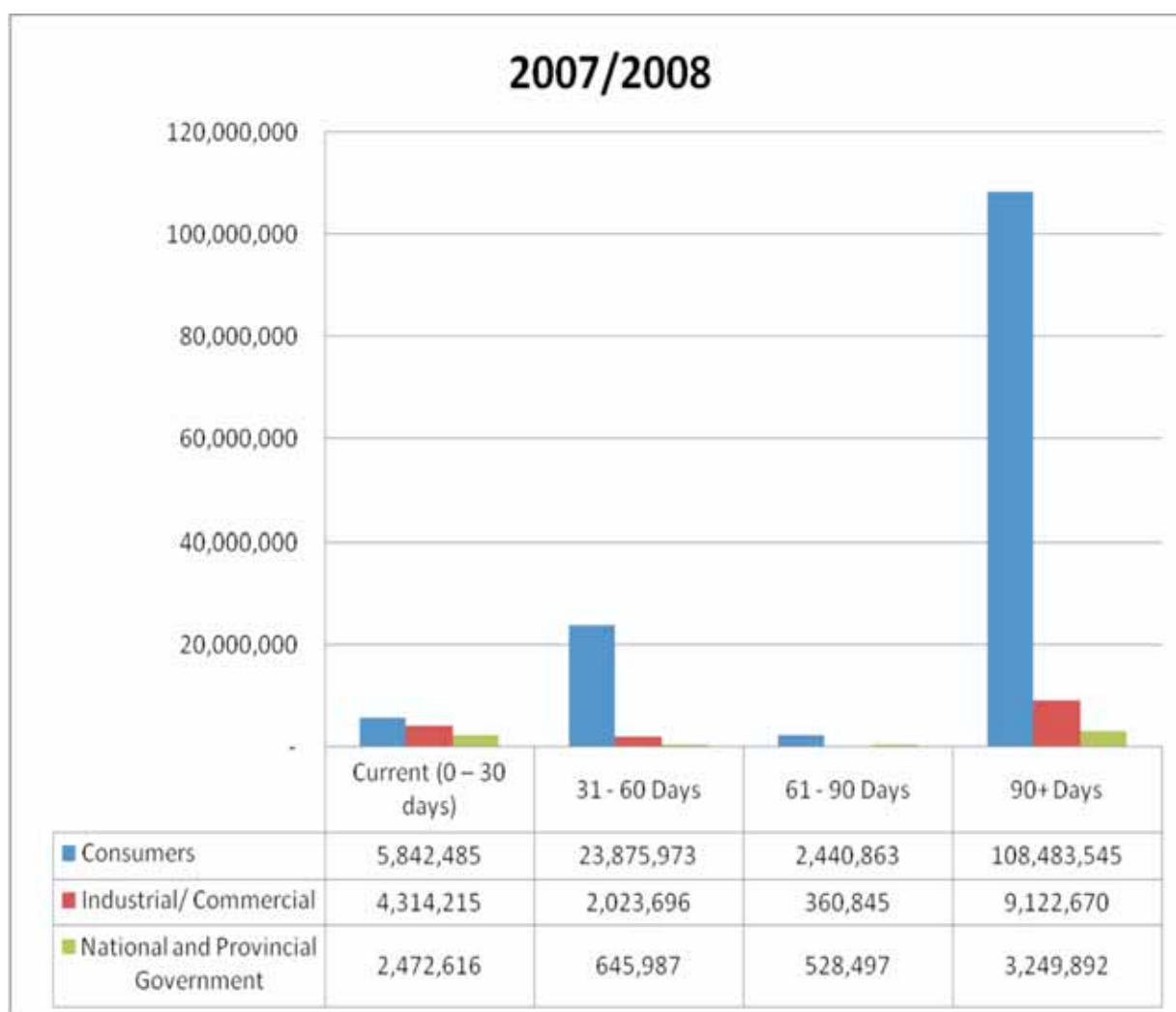
	Gross Balance 2007/2008	Gross Balance 2008/2009	Increase (%)
Electricity	22,133,379	25,744,587	16%
Refuse	16,838,457	20,526,723	22%
Sewerage	16,120,043	19,990,216	24%
Assessment rates	17,254,935	30,557,546	77%
Water	31,110,605	43,561,949	40%
Sundry Services	30,550,141	25,911,946	-15%
Interest on Debtors	28,107,447	40,956,400	46%
Deposits	1,246,277	1,238,119	-1%
<b>TOTAL</b>	<b>163,361,284</b>	<b>208,487,486</b>	<b>28%</b>

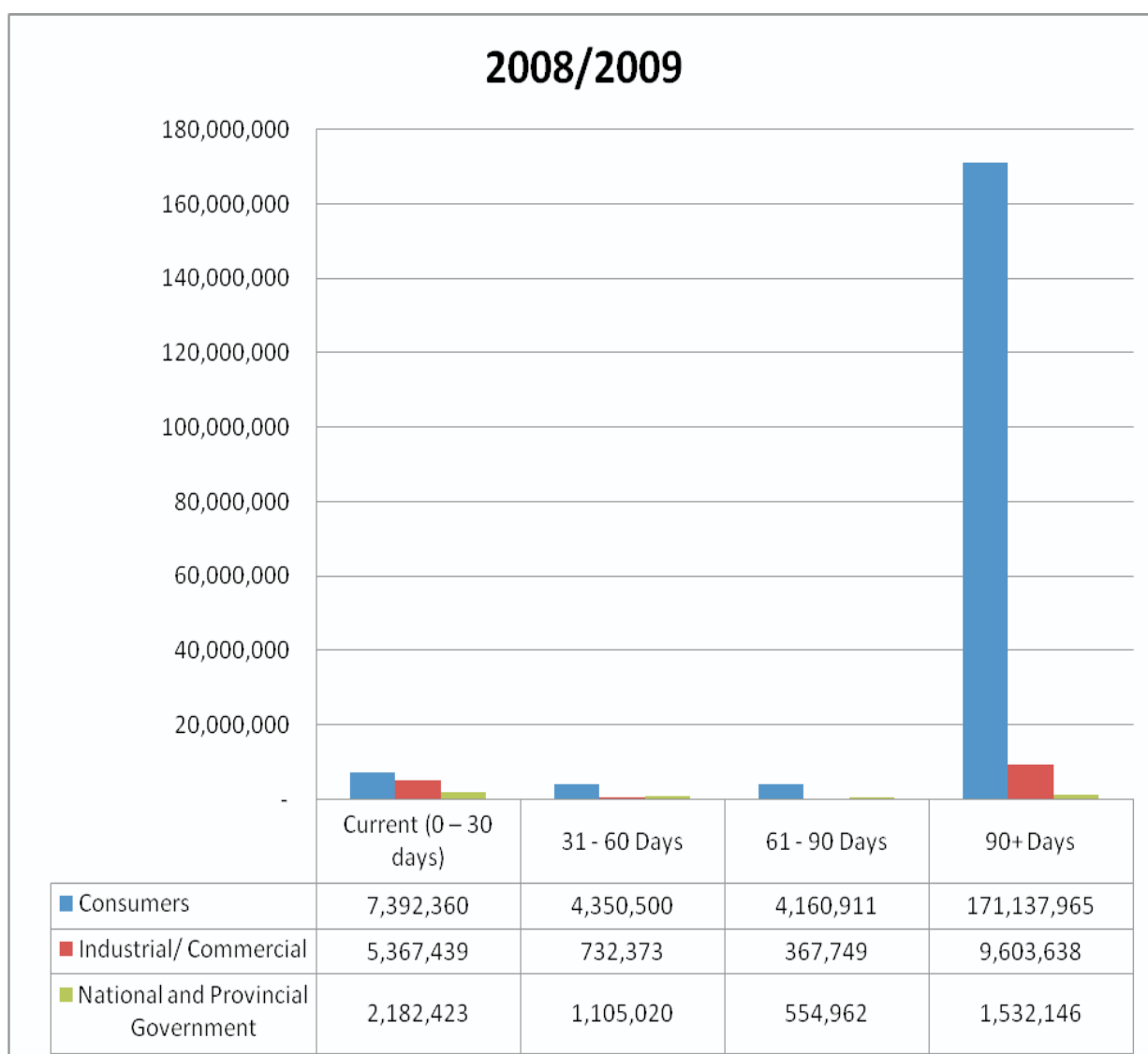
Total consumer debtors increased from R 163,361,284 in 07/08 to R 208,487,486 in 08/09. This represents an increase of 28% on average.

## Increase in Provision for Bad Debt:

	Provision for Bad Debt 2007/2008	Provision for Bad Debt 2008/2009	Increase (%)
Electricity	12,085,230	12,421,871	3%
Refuse	9,194,107	10,280,439	12%
Sewerage	8,801,839	9,875,277	12%
Assessment rates	9,421,511	16,693,238	77%
Water	16,986,960	21,490,256	27%
Sundry Services	16,680,936	24,779,236	49%
Interest on Debtors	15,347,181	25,812,746	68%
Deposits	680,490	821,526	21%
TOTAL	89,198,254	122,174,590	37%

## Consumer Debtors by Customer Classification:





- 89.7% of the total outstanding debt on 30 June 2009 is consumers.
- Of the total outstanding debt on 30 June 2009, 87.4% is outstanding longer than 90 days.

Debtor's Collection Period (Property Rates and Service Charges)

2008/2009: 413.72 days

2007/2008: 376.43 days

- The average collection period increased with 10% from 07/08 to 08/09.
- The collection period is significantly higher than the required 30 days.

#### 4. Liquidity Data and Financial Indicators:

When assessing and reporting on the liquidity of this municipality we have used ratio analysis which includes using financial ratios that show a relationship between items on the statement of financial performance and the statements of financial position of the entity. As a result these ratios are mostly based on information that is available from the annual financial statements. Primarily, the purpose of using these ratios is to measure the performance of the entity for all stakeholders.

##### Financial Indicators:

	<b>Borrowing Management</b>	<b>Basis of Calculation</b>	<b>2008/2009</b>	<b>2007/2008</b>
1.	Borrowings to Assets	Total Long Term Borrowing / Total Assets	0.02 : 1	0.02 : 1
	<b>Safety of Capital</b>			
2.	Debt to Equity	Borrowings, Payables, VAT payable & Overdraft / Net Assets	0.11 : 1	0.11 : 1
	<b>Liquidity</b>			
3.	Current Ratio	Current Assets / Current Liabilities	0.94 : 1	0.94 : 1
	<b>Profitability Ratio's</b>			
4.	Net Surplus Margin	Net Surplus (Deficit) / Operating Income	(20%)	13%

##### Interpretation of Financial Indicators:

- **Borrowings to Assets:** This ratio indicates that the entity makes use of government/own funds to acquire assets before debt is incurred to finance these acquisitions. This ratio has remained consistent for 2007/2008 & 2008/2009.
- **Debt to Equity:** The low Debt to Equity ratio indicates that the entity does not use debt aggressively to fund operations. This ratio has remained consistent for 2007/2008 & 2008/2009.
- **Current Ratio:** The current ratio remained consistent at 0.94:1 for both financial years disclosed in the financial statements. A current ratio of less than 2:1 indicates that the Municipality may have problems to settle its short term liabilities or may experience cash flow problems.
- **Net Surplus Margin:** The net surplus margin indicates what percentage net surplus is of operating income. Since the financial results of the Municipality changed from a surplus of R21,226,818 in the 07/08 financial year to a deficit of R 40,239,001 in the 08/09 financial year, the net surplus margin decreased from a positive 13% in 07/08 to a negative 20% in the 08/09 financial year.



**MOQHAKA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2009**

I am responsible for the presentation of these annual financial statements, which are set out on pages 1 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and local Government's determination in accordance with this Act.

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**MS Mqwathi  
Municipal Manager**

**30 November 2009**

**MOQHAKA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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**MOQHAKA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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**GENERAL INFORMATION**

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of operations and principal activities</b>	Providing municipal services and maintain the best interests of the local community mainly in the Moqhaka area
<b>Legal form</b>	An organ of state within the local sphere of government exercising legislative and executive authority
<b>Jurisdiction</b>	The entity is a local municipality, as demarcated by the Demarcation Board
<b>Grading of local authority</b>	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
<b>Relevant legislation</b>	<p>The Constitution of the Republic of South Africa</p> <p>The Municipal Structures Act 117 of 1998</p> <p>The Municipal Systems Act 32 of 2000</p> <p>The Municipal Finance Management Act 56 of 2003</p> <p>The Municipal Property Rates Act 6 of 2004</p> <p>The Basic Conditions of Employment Act 75 of 1997</p> <p>The Value Added Tax Act 89 of 1991</p> <p>The Skills Development Act 9 of 1999</p> <p>The Water Service Act 108 of 1997</p> <p>The Housing Act of 1997</p> <p>The Promotion of Access to Information Act 2 of 2000</p> <p>The Disaster Management Act 57 of 2000</p>
<b>Business address</b>	<p>PO Box 302</p> <p>Kroonstad</p> <p>9500</p>
<b>Registered office</b>	<p>Municipal Offices</p> <p>Hill Street</p> <p>Kroonstad</p> <p>9499</p>
<b>Bankers</b>	<p>ABSA Bank Limited: Kroonstad</p> <p>First National Bank: Steynsrus</p>
<b>Auditors</b>	The Auditor General: Free State
<b>Attorneys</b>	Du Randt and Louw
<b>Municipal Manager</b>	MS Mqwathi
<b>Chief Financial Officer</b>	Lenyehelo MJ
<b>Executive Mayor</b>	Mokgosi MA

## Councillors and their portfolios

### Speaker

Mohapi MJ

### Chairperson WHIP

Mareka J

### Members of The Mayoral Committee

Councillor: Matli SJ  
Councillor: Matshidisho DA  
Councillor: Mokoena S  
Councillor: Moletsane ER  
Councillor: Nakedi ACWD  
Councillor: Pietersen ML  
Councillor: Thipane MP

### Members of Council

Councillor: Brink DJ  
Councillor: Dire AMS  
Councillor: George DSL  
Councillor: Grimbeek SA  
Councillor: Hatting JM  
Councillor: Jordaan ECJ  
Councillor: Koloi MA  
Councillor: Leokaoke TJ  
Councillor: Letsabo MJ  
Councillor: Machobane ML  
Councillor: Makale DM  
Councillor: Makau TL  
Councillor: Makoele EL  
Councillor: Manefeldt ZJC  
Councillor: Mantso KM  
Councillor: Masuret A  
Councillor: Mbono MD  
Councillor: Mckenzie AE  
Councillor: Mkhotherni NW  
Councillor: Mkhwanazi TM  
Councillor: Moabi ME  
Councillor: Moamogoa MS  
Councillor: Mofokeng MJ  
Councillor: Mohlolo PM  
Councillor: Mokodutlo NP  
Councillor: Mokotla ME  
Councillor: Monoto MA  
Councillor: Notsi EM  
Councillor: Pittaway M  
Councillor: Ramotsie JM  
Councillor: Raphuthing PP  
Councillor: Seakhela SS  
Councillor: Seheri MF  
Councillor: Shahim DM  
Councillor: Steenkamp JIN (Deceased)  
Councillor: Taje FM  
Councillor: Tau SS  
Councillor: Tladi SB  
Councillor: Tumisi TJ  
Councillor: Viljoen AH  
Councillor: Wille GV

2008-2009

DRAFT ANNUAL REPORT 2008 - 2009

## REPORT OF THE AUDITOR-GENERAL

**MOQHAKA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009**

	Note	2009 R	2008 R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1,111,058,752</b>	<b>1,152,936,547</b>
Property, plant and equipment	1	1,085,368,102	1,126,563,540
Intangible Assets	2	2,155,744	2,603,063
Investment Property	3	23,345,110	23,496,102
Investments	4	189,796	234,700
Long-term receivables	5	-	39,142
<b>Current assets</b>		<b>106,409,591</b>	<b>93,786,757</b>
Inventory	6	4,621,748	4,883,798
Consumer receivables from exchange transactions	7	86,312,896	74,163,030
Other receivables from exchange transactoins	8	2,415,043	12,160,384
Other receivables from non- exchange transactoins	9	26,443	1,754,418
Deferred operating lease assets	10	77,015	7,294
Cash and cash equivalents	11	1,018,726	178,307
VAT receivable	18	10,216,991	-
Investments	4	1,720,729	639,526
<b>Total assets</b>		<b>1,217,468,343</b>	<b>1,246,723,304</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>1,078,905,565</b>	<b>1,119,144,566</b>
Accumulated surplus		1,078,905,565	1,119,144,566
<b>Non-current liabilities</b>		<b>25,035,292</b>	<b>27,967,812</b>
Long-term borrowings	12	22,247,316	26,224,090
Non-current provisions	13	2,787,976	1,743,722
<b>Current liabilities</b>		<b>113,527,486</b>	<b>99,610,926</b>
Consumer deposits	14	6,415,264	6,478,692
Provisions	15	-	486,716
Payables from exchange transactions	16	82,101,364	69,018,576
Unspent conditional grants and receipts	17	5,825,560	1,977,953
VAT payable	18	-	9,893,260
Bank Overdraft	11	9,896,755	3,392,499
Current portion of borrowings	12	9,288,543	8,363,230
<b>Total net assets and liabilities</b>		<b>1,217,468,343</b>	<b>1,246,723,304</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
<b>REVENUE</b>			
Property rates	19	38,687,846	24,992,090
Service charges	20	140,055,331	121,659,575
Rental of facilities and equipment		2,690,747	2,687,921
Investment income	21	563,157	549,179
Interest earned - outstanding receivables		5,223,689	5,250,726
Fines		765,069	387,155
Government grants and subsidies	22	107,527,416	99,660,473
Other income	23	11,162,728	9,463,477
Gain on disposal of property, plant and equipment		428,303	41,305
Fair value through surplus and deficit		4,336	29,241
<b>Total revenue</b>		<b>307,108,622</b>	<b>264,721,142</b>
		300,893,473	(41,470,473)
<b>EXPENDITURE</b>			
Employee related costs	24	107,625,224	100,241,428
Remuneration of councillors	25	11,217,905	10,111,782
Bad debts		29,359,749	21,603,062
Depreciation		44,602,512	989,281
Repairs and maintenance		27,890,763	2,391,050
Interest paid	26	4,184,771	4,884,911
Bulk purchases	27	64,454,175	46,599,766
Contracted services		6,336,442	5,425,188
General expenses	28	51,676,082	51,137,856
<b>Total expenditure</b>		<b>347,347,623</b>	<b>243,384,324</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(40,239,001)</b>	<b>21,336,818</b>

(a) Refer to Appendix E1 for the comparison with the approved budget.

**MOQHAKA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009**

	Capital Replacement Reserve (CRR)	Capitalisation Reserve	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
<b>Balance at 30 June 2007</b>					
Correction of error (Note 29)	2,506,034	1,158,276	38,673,353	451,324,265	493,661,928
				604,145,820	604,145,820
<b>Restated balance as at 30 June 2007</b>	<b>2,506,034</b>	<b>1,158,276</b>	<b>38,673,353</b>	<b>1,055,470,085</b>	<b>1,097,807,748</b>
Surplus/(deficit) for the year as previously reported	-	-	-	34,369,134	34,369,134
Correction of error (Note 29)	(2,506,034)	(1,158,276)	(38,673,353)	(13,032,316)	(13,032,316)
Transfer to accumulated surplus/deficit	-	-	-	42,337,663	-
<b>Restated balance as at 30 June 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,119,144,565</b>	<b>1,119,144,566</b>
Surplus/(deficit) for the year	-	-	-	(40,239,001)	(40,239,001)
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,078,905,564</b>	<b>1,078,905,565</b>



**MOQHAKA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		274,743,923	276,272,423
Cash paid to suppliers and employees		(275,545,948)	(215,829,043)
Cash generated from operations	30	<b>(802,025)</b>	<b>60,443,380</b>
Interest received		5,223,689	5,250,726
Dividends received		563,157	549,179
Interest paid		(4,184,771)	(4,884,911)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>800,050</b>	<b>61,358,374</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisitions for property, plant and equipment		(3,855,083)	(37,515,423)
Acquisitions for intangible assets		-	(1,341,958)
Acquisitions of property, plant and equipment as a result of the Fixed Asset Reconstruction		-	(28,798,075)
(Increase)/decrease in current investments		(1,031,966)	(519,306)
Proceeds on disposal of property, plant and equipment		1,474,624	216,692
Increase in non-current receivables		-	(5,434)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(3,412,425)</b>	<b>(67,963,504)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(3,051,462)	1,722,567
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(3,051,462)</b>	<b>1,722,567</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(5,663,837)</b>	<b>(4,882,563)</b>
Cash and cash equivalents at the beginning of the year		(3,214,192)	1,668,371
Cash and cash equivalents at the end of the year	11	(8,878,029)	(3,214,192)

## MOQHAKA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### ***BASIS OF PREPARATION***

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specifically stated otherwise.

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

During the current year the entity has taken advantage of the transitional provisions contained in Directive 3- Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities.

The following classes of assets and or liabilities have not been measured in accordance with the applicable Standards of GRAP as the exemptions in terms of the general notice 522 of 2007 contained in Government Gazette no 30013 of June 2007 were applied at the previous reporting date. However for the current year under review these exemptions are no longer applicable and these items have been measured in accordance with the relevant GRAP standards-

- Investment Property
- Property, plant and equipment
- Non- current assets held for sale (and disposal groups)
- Impairment of assets
- Financial Instruments
- Inventories
- Intangible Assets
- Non- exchange revenue
- Exchange revenue
- Government grants

All transitional provisions have been applied retrospectively so that any adjustments needed are shown as an adjustment to the opening balance of retained earnings for the earliest period presented. (Please refer to note 29 for all adjustments for prior period errors)

Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP.

The accounting policies are applied consistently with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The standards included in the GRAP reporting framework, as determined in Directive 5 issued by the Accounting Standards Board, are summarised as follows:

Standard	Title of Standard
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
IPSAS 20	Related party disclosures
IPSAS 21	Impairment of non cash- generating assets
GAMAP 9.29 - .35 & .39- .54 *	Revenue
IFRIC 2	Member's Shares in Co- operative Entities and Similar instruments
IFRIC 4	Determining whether an Arrangement contains a lease
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programs
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
SIC 21	Income Taxes – Recovery of Re-valued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Enterprise or its Shareholders
SIC 27	Disclosure – Service Concession Arrangements
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Entities
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Low and Medium Capacity Municipalities
Directive 5	Determining the GRAP reporting framework
ASB Guide 1	Guideline on Accounting for Public Private Partnerships

\*Refer to GRAP 9.45.

\*\* An entity first adopts the Standard of GRAP before it applies the related Interpretation of the Standards of GRAP. Therefore, IGRAP 1 is applicable if an entity applies GRAP 9 *Revenue from exchange transactions*.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

## STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Details of amendment and anticipated impact thereof	Annual periods beginning on or after
IGRAP 1 **	Applying the probability test on initial recognition of exchange revenue	To be determined by the Minister of Finance (issued March 2009)
GRAP 18 – Segment Reporting	New standard of GRAP dealing with presentation and disclosure requirements in respect of segment reporting. This standard will not require significant new disclosures.	To be determined by the Minister of Finance (issued March 2005)
GRAP 21 – Impairment of Non - cash-generating Assets	New standard of GRAP dealing with the requirements around determining impairments of non-cash generating assets. The impact of the implementation of the standard is not known or reasonably estimable.	To be determined by the Minister of Finance (issued March 2009)
GRAP 23 – Revenue from Non - exchange transactions	New standard of GRAP dealing with revenue from non-exchange transactions, including grant income, levies and taxes. This is likely to change the way that grants are accounted as the new standard eliminates the matching principle and focuses only on the conditions as a factor for determining the recognition of grant revenue.	To be determined by the Minister of Finance (issued February 2008)
GRAP 24 – Presentation of Budget Information in the Financial Statements	New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1. The impact of this is currently being assessed by management as part of the work on assets.	To be determined by the Minister of Finance (issued November 2007)
GRAP 26 – Impairment of Cash-generating Assets	New standard of GRAP dealing with the requirements around determining impairments of cash generating assets. The impact of this is currently being assessed by management as part of the work on assets.	To be determined by the Minister of Finance (issued March 2009)
GRAP 103 – Heritage Assets	New standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of heritage assets. The impact of this is currently being assessed by management as part of the work on assets.	To be determined by the Minister of Finance (issued July 2008)
Amendment to IFRS 3 – Business Combinations	Amendments to accounting for business combinations.  <i>The municipality has not entered into any business combinations. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.</i>	1 July 2009
* Amendment to IFRS 7 – Financial Instruments: Disclosures	Presentation of finance costs  <i>The amendment to the Standard enhances disclosure of finance costs. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.</i>	1 January 2009
* Amendment to IAS 19 – Employee Benefits	The amendment affects the following: <ul style="list-style-type: none"> <li>○ Curtailments and negative past service cost</li> <li>○ Plan administration costs</li> <li>○ Replacement of term "fall due"</li> <li>○ Guidance on contingent liabilities</li> </ul> These changes are not expected to have a significant impact on the financial results of the municipality.	1 January 2009
Amendment to IAS 32 – Financial Instruments: Presentation	Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities.  <i>The entity does not hold any instruments that are subject to the revised classification provisions of the Standard. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.</i>	1 January 2009

Standard	Details of amendment and anticipated impact thereof	Annual periods beginning on or after
* Amendment to IAS 36 Impairment of Assets	– Disclosure of estimates used to determine recoverable amount.  <i>The amendment to the Standard enhances disclosure of estimates applied in determining the recoverable amount. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.</i>	1 January 2009
* Amendment to IAS 36 Impairment of Assets	– Unit of accounting for goodwill impairment test.  <i>The municipality has not entered into any transactions that give rise to goodwill. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.</i>	1 January 2010
* Amendment to IAS 39 – Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> <li>○ Reclassification of derivatives into or out of the classification of at fair value through profit or loss.</li> <li>○ Designating and documenting hedges at the segment level.</li> <li>○ Applicable effective interest rate on cessation of fair value hedge accounting.</li> </ul> <i>The municipality does not have any derivative financial instruments or hedge instruments and does not apply hedge accounting. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.</i>	1 January 2009
*Amendment to IAS 39 – Financial Instruments: Recognition and Measurement	Clarifies two hedge accounting issues: <ul style="list-style-type: none"> <li>○ Inflation in a financial hedged item.</li> <li>○ A one-sided risk in a hedged item.</li> </ul> <i>The municipality does not apply hedge accounting. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.</i>	1 July 2009
* Amendment to IAS 39 – Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> <li>○ Treating loan prepayment penalties as closely related embedded derivatives</li> <li>○ Scope exemption for business combination contracts</li> <li>○ Cash flow hedge accounting</li> </ul> <i>The municipality is not subject to any loan repayment penalties and it does not apply hedge accounting, as it does not have any hedge instruments. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.</i>	1 January 2010

Interpretation**	Annual periods beginning on or after
* IFRIC 9 – Reassessment of Embedded Derivatives	1 July 2009
IFRIC 15 – Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	1 October 2008
* IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	1 July 2009
IFRIC 17 – Distribution of Non-cash Assets to Owners	1 July 2009

[\* Standards and interpretations affected by the Improvements to IFRS]

[\*\*The potential impact of these interpretations has been assessed as immaterial]

### **PRESENTATION CURRENCY**

The financial statements are presented in South African Rand, which is the functional currency of the municipality, and are rounded off to the nearest Rand.

### **GOING CONCERN**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

### **COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and based on IPSAS 24, has been provided in an annexure to these financial statements. It should, however, be noted that these annexures are unaudited and do not form part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **SIGNIFICANT JUDGEMENTS**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

#### **Loans and receivables**

The municipality assesses its loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical deficit ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual deficit ratios are applied to loan balances in the portfolio and scaled to the estimated deficit emergence period.

#### **Available-for-sale financial assets**

The municipality follows the guidance of IAS 39 (AC 133) - Financial Instruments: Recognition and Measurement, to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the municipality evaluates, among other factors, the duration and extent to which the fair value of an asset is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### **Allowance for slow moving, damaged and obsolete inventory**

An allowance is made for slow-moving, damaged and obsolete inventory to write the inventory down to the lower of cost or current replacement cost. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down, if any, is included in the Statement of Financial Performance.



**Fair value estimation**

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

**Impairment testing**

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment (i.e. carrying amount is less than recoverable amount) may have occurred, estimates are prepared of expected future cash flows for each group of assets. Recoverable amount is the higher of an asset's fair value less costs to sell and the present value of its future cash flows (value in use.)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less cost to sell.

**Effective interest rate and deferred payment terms**

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rates and periods used.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of the estimates applied in the measurement of provisions is included in note 11 - Non Current Provisions.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**Useful lives and residual values**

The municipality re-assess the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

**Reconstruction of Fixed Asset Register**

During the year under review a complete reconstruction of the Fixed Asset Register (FAR) was performed. The following significant judgements were made in this regard:

Age of assets eg: where the acquisition date for moveable assets has not been linked to an invoice the date of acquisition, has been determined by a professional valuator. The age of infrastructure items have been determined by professional engineers.

Condition of assets: condition assessments of assets have been determined by the external expert appointed by the entity.

Cost of assets: The cost of infrastructure assets has been determined based on the professional judgement of the external expert appointed by the entity.

Componentization of infrastructure assets: The componentization of assets has been determined based on engineering principles by the external expert appointed by the entity.

**PROPERTY, PLANT AND EQUIPMENT**Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the municipality and the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation commences when the asset is available for its intended use. The annual depreciation rates are based on the following estimated average asset lives:

The following expected depreciation periods are applicable to the various classes of assets:

<b>Asset Class</b>	<b>Expected depreciation period</b>
Electricity	10 – 160 years
Parks infrastructure assets	4 – 160 years
Potable water networks	8 – 135 years
Roads, bridges and roadside structures	4 – 165 years
Waste water networks	5 – 135 years
Storm water	45- 160 years
Solid waste	15 – 40 years
Community assets	4 – 160 years
Heritage Assets	Not depreciated
Land, buildings	60 – 160 years
Investment properties	60 – 160 years
Vehicles	2 – 35 years
Office Equipment	2 – 60 years
Furniture	2 – 45 years
IT Equipment	2 – 45 years
Plant and Equipment	2 – 85 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### De-recognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **INTANGIBLE ASSETS**

#### Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. Software that is an integral part of the related hardware is classified as Property, Plant and Equipment. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

#### Subsequent measurement – Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual depreciation rates are based on the following estimated average asset lives:

Intangible asset	
Computer software	3 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### De-recognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **INVESTMENT PROPERTY**

#### Initial recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn long-term rentals yields and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

#### Subsequent measurement - Cost

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### De-recognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **INVESTMENT PROPERTY**

#### Initial recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn long-term rentals yields and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

#### Subsequent measurement – Cost

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses.

Inventory classes	Measurement basis
Consumable stores	First-in-first-out
Work-in-progress	First-in-first-out

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The same cost formula is used for all inventories having a similar nature and use to the entity.

### **IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually;
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a re-valued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued asset is treated as a revaluation increase.

## **FINANCIAL INSTRUMENTS**

### Initial recognition

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date.

### Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

### Fair value determination

Fair value information for trade and other receivables are determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.



Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at fair value upon initial recognition and thereafter carried at amortised cost, using the effective interest rate method.

Investments in unlisted shares are initially measured at cost. Subsequently, investments in unlisted shares are measured at fair value with changes in fair value being recognized in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and other receivables

Trade receivables classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the Statement of Financial Performance.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Trade payables and Borrowings

Trade payables are initially measured at fair value and are subsequently measured at amortized cost. Trade and other payables are classified as financial liabilities carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value. These are initially recorded at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents are classified as loans and receivables.

Bank overdraft

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.



Bank overdrafts are classified as financial liabilities carried at amortised cost.

#### Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit are financial assets held for trading or designated as such. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned.

Assets are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are included in surplus or deficit for the period.

Transaction costs are recognised in surplus or deficit. Dividend income is recognised in the Statement of Financial Performance as part of other income when the entity's right to receive payment is established.

#### Impairment

At reporting date, the Municipality determines whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the deficit is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit deficits that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the deficit is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and is settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset to the financial asset that is impaired. Such impairment losses are not reversed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative deficit that had been recognised directly in net assets shall be removed and recognised in surplus or deficit even though the financial asset has not been derecognised.

The amount of the cumulative deficit that is removed from equity and recognised in surplus or deficit are the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit.

#### **LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables on the Statement of Financial Position at the commencement of the lease term. The finance lease receivable is measured at an amount equal to the net investment in the lease upon initial recognition.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease and have been considered by the municipality:

- lease transfers ownership of the asset to the lessee by the end to the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- the leased asset is of such a specialised nature that only the lessee can use them without major modifications;
- if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, at the commencement of the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed as a separate line item in the Statement of Financial Performance. Contingent rentals received / receivable are recognised in income in the period when they become due and are not included in the straight-line lease income.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa. This asset/liability is not discounted, as it is already carried at fair value.

Any contingent rents are expensed in the period they are incurred and are not included in the straight-line lease expense.

#### **EMPLOYEE BENEFITS**

##### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

##### Defined contribution plans

Payments to defined contribution retirement plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution plan.

##### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted at least every three years by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or deficits on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset.

The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the Statement of Financial Performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and deficits and unrecognised past service costs, and reduces by the fair value of plan assets.

Actuarial gains and losses are recognized in full in the period in which they occur in the Statement of Financial Performance

Any asset is limited to unrecognized actuarial deficits, plus the present value of available refunds and reduction in future contributions to the plan.

#### Multi-employer plans

A multi-employer plan is classified as either a defined benefit plan or a defined contribution plan under the terms of the plan. If the plan is a defined benefit plan, an actuarial valuation should be obtained. Normal defined benefit accounting would be applied to the proportionate share of the obligation and assets relating to the municipality. If actuaries are unable to provide the municipality with an actuarial valuation, the municipality accounts for the plan as if it were a defined contribution plan.

### **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where the effect of time value of money is material, the amount of a provision shall be the present value of the expenditure expected to be required to settle the obligation.

The Municipality uses a pre-tax rate that reflects current market assessments of the time value of money and the risks for which future cash flow estimates have been adjusted.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If a municipality has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - o the business or part of a business concerned;
  - o the principal locations affected;
  - o the location, function, and approximate number of employees who will be compensated for terminating their services;
  - o the expenditures that will be undertaken; and
  - o when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

## REVENUE

### Revenue from Non-Exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Moqhaka Local Municipality classifies revenue received from taxes and transfers (whether cash or non-cash, including grants, debt forgiveness, fines, bequests, gifts, donations and goods and services in-kind) as non-exchange revenue.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality. Contributed property, plant and equipment qualify for recognition either when the item is available for use or when the risks and rewards of ownership have transferred.

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is offset against the expense it relates to when the recovery thereof from the responsible councillors or officials is virtually certain.

### Revenue from Exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. Exchange Revenue comprises of rates, service charges for sanitation, water, refusal removal, grants and income for agency services.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the Statement of Financial Position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
- to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business.

Interest is recognised, in surplus or deficit, on a time proportionate basis using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

## **GOVERNMENT GRANTS**

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attached to them; and
- the grants will be received.

Government grants are recognised as income to the extent that the municipality has satisfied / complied with the conditions attached to the grant.

A government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the municipality, with no future related costs, is recognised as income in the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income, which is released to the Statement of Financial Performance as the municipality satisfies the conditions of the grant. As such the deferred income, presented with regards to government grants, represent the unspent portion of the grant



for which the municipality has not satisfied the conditions of the grant.

Grants related to income are presented as a credit in the Statement of Financial Performance (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of an unspent grant related to an asset is recorded by reducing the deferred income balance by the amount repayable.

### **FOREIGN EXCHANGE TRANSACTIONS**

Donations are received from foreign donors. Donor contracts stipulate that at the end of the donation period remaining donor funds should be refunded to the donors. Foreign donations are recognised in the same manner as accounting for government grants.

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or deficit on a non-monetary item is recognised directly in equity, any exchange component of that gain or deficit is recognised directly in equity. When a gain or deficit on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or deficit is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### **UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state; and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently offset against the expense to which it relates in the Statement of Financial Performance.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, the Municipal Systems Act and the Public Office Bearers Act or any other applicable legislation, or in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently offset against the expense to which it relates in the Statement of Financial Performance.

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently offset against the expense to which it relates in the Statement of Financial Performance.



**BORROWING COST**

Borrowing costs are recognized as an expense in the period in which they are incurred, unless the borrowing cost was incurred in relation to a qualifying asset in which case the borrowing cost is capitalized in the cost of such an asset.

**RELATED PARTIES**

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All municipalities and municipal entities, with whom the municipality has transacted with, are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard.

**RESERVES*****Capitalization Reserve***

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the Provincial Ordinance applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalization Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The purpose of this reserve was to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit). The balance on the Capitalization Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalization Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

***Government Grant Reserve***

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the government grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

***Capital Replacement Reserve (CRR)***

The amount transferred to the Capital Replacement Reserve is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) is credited by a corresponding amount when the amounts in the CRR are utilized.

All balances in reserves and trust fund accounts that are not presented by cash on the date of transition was transferred to the accumulated surplus account.

**MOQHAKA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	2008 R
<b>2 INTANGIBLE ASSETS</b>		
<b>30 June 2009</b>		
<b>Reconciliation of Carrying Value</b>		
<b>Carrying values at 1 July 2008</b>	<b>2,603,063</b>	
Cost	2,769,735	
Accumulated depreciation	(166,672)	
Acquisitions		
Depreciation	(447,319)	
Carrying value of disposals	-	
Cost / revaluation	-	
Accumulated depreciation	-	
<b>Carrying values at 30 June 2009</b>	<b>2,155,744</b>	
Cost	2,769,735	
Accumulated depreciation	(613,991)	
<b>30 June 2008</b>		
<b>Reconciliation of Carrying Value</b>		
<b>Carrying values at 1 July 2007</b>	<b>1,427,777</b>	
Cost	1,427,777	
As previously stated	-	
Correction of prior period error to cost	1,427,777	
Accumulated depreciation	-	
As previously stated	-	
Correction of prior period error to		
Accumulated Depreciation	-	
Acquisitions	1,341,958	
As previously stated	-	
Correction of prior period error to additions	1,341,958	
Depreciation	(166,672)	
As previously stated	-	
Correction of prior period error to		
depreciation	(166,672)	
Carrying value of disposals	-	
Cost / revaluation	-	
Prior Period Error		
Accumulated depreciation		
Prior Period Error	-	
Decrease in rehabilitation cost		
<b>Carrying values at 30 June 2008</b>	<b>2,603,063</b>	
Cost	2,769,735	
As previously stated	-	
Correction of prior period error to cost	2,769,735	
Accumulated depreciation	(166,672)	
As previously stated	-	
Correction of prior period error to cost	(166,672)	

**3 INVESTMENT PROPERTY****30 June 2009****Reconciliation of Carrying Value****Carrying values at 1 July 2008**

Cost	<b>23,496,102</b>
Accumulated depreciation	30,048,542
	(6,552,440)

Acquisitions	-
Depreciation	(150,992)
Carrying value of disposals	-

**Carrying values at 30 June 2009**

Cost	<b>23,345,110</b>
Accumulated depreciation	30,048,542
	(6,703,432)

**30 June 2008****Reconciliation of Carrying Value****Carrying values at 1 July 2007**

Cost	<b>23,637,476</b>
As previously stated	30,048,542
Correction of prior period error to cost	-
	30,048,542

Accumulated depreciation	(6,411,066)
As previously stated	-
Correction of prior period error to Accumulated Depreciation	(6,411,066)

Acquisitions	-
As previously stated	-
Correction of prior period error to additions	-

Depreciation	(141,374)
As previously stated	-
Correction of prior period error to depreciation	(141,374)

Carrying value of disposals	-
Cost / revaluation	-
Prior Period Error	-

**Carrying values at 30 June 2008**

Cost	<b>23,496,102</b>
As previously stated	30,048,542
Correction of prior period error to cost	-
	30,048,542

Accumulated depreciation	(6,552,440)
As previously stated	-
Correction of prior period error to cost	(6,552,440)

#### 4 INVESTMENTS

<b>Unlisted Shares</b>	<b>142,349</b>	<b>138,013</b>
Senwes Ltd Shares	66,203	70,932
Senwesbel Ltd Shares	76,146	67,081
<b>Financial instruments</b>	<b>1,768,176</b>	<b>736,213</b>
Short-term deposits maturing before 12 months	1,720,729	639,526
Fixed deposits	47,447	96,687
<b>Total cash investments</b>		
<b>Total investments</b>	<b>1,910,525</b>	<b>874,226</b>
<b>Non-current investments</b>	<b>189,796</b>	<b>234,700</b>
Unlisted Shares	142,349	138,013
Fixed Deposits	47,447	96,687
<b>Current investments</b>	<b>1,720,729</b>	<b>639,526</b>
Short-term deposits maturing before 12 months	1,720,729	639,526
<b>Council's valuation of unlisted shares (Market value)</b>	<b>142,349</b>	<b>138,013</b>
Senwes Ltd Shares	66,203	70,932
Senwesbel Ltd Shares	76,146	67,081

##### **Unlisted Shares**

Unlisted shares consist of equity shares in Senwesbel Limited (no. of shares 11830) and Senwes Limited (no. of shares 11822). There was no movement in the volume of shares during the financial year.

##### **Pledged investments**

An investment of R11 300 held at First National Bank is pledged as security to Eskom for the electricity connection.

Fair values are determined annually at the reporting date.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

##### **4.1 Fair value of investments**

The carrying value of the investments approximate their fair values.

##### **4.2 Impairment of investments**

None of the investments are considered to be impaired and consequently no provision was raised for the recoverability of these financial assets. None of the investments that were fully performing, were re-negotiated during the year.

#### 5 LONG-TERM RECEIVABLES

Housing selling scheme loans	39,142	39,142
Less: provision for bad debt	(39,142)	
<b>Total long-term receivables</b>	<b>-</b>	<b>39,142</b>

##### **Housing selling scheme loans**

Housing loans are granted to qualifying individuals and public organisations housing program. These loans attract interest of between 7% per annum and are repayable over 10 years.

Fair values are determined annually at the reporting date.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

**5 LONG-TERM RECEIVABLES (CONTINUED)****5.1 Pledged as security**

None of the long term receivables have been pledged as security and are therefore not encumbered.

Additionally, the municipality holds no security for the amounts receivable.

**5.2 Aging of long term receivables**

	Aging		
	Brought over from prior year		
Housing selling scheme loans			
	Additional raised in current year		
		-	39,142
		-	-
		-	39,142

**5.4 Fair value of long term receivables**

The carrying value long term receivables approximate their fair values

**5.5 Impairment of long term receivables**

None of the long term receivables are considered to be impaired and consequently no provision was raised for the recoverability of these financial assets. None of these loans and receivables that were fully performing were re-negotiated during the year.

**6 INVENTORY**

Consumables - at cost

**Total inventory**

4,621,748	4,883,798
<b>4,621,748</b>	<b>4,883,798</b>

**6.1 Inventories at fair value less cost to sell**

None of the inventories held by the municipality were measured at fair value less cost to sell. Included in the balance of inventory at year end are items with a cost of R106 983 that have been impaired as they are obsolete.

Inventory recognised as an expense amounted to R19 706 694 in the current year (2007/2008: R12 922 394)

**6.2 Write downs of inventories and reversals of inventories**

None of the inventories held by the municipality were written down during the year or during the prior year.

There were no reversals of write downs to inventories because none of the inventories held by the municipality were written down.

**6.3 Pledged as security**

None of the inventories held by the municipality were pledged as security for any liabilities, during either the current or prior year.

7 CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balance	Provision for Bad Debt	Net Balance
<b>As at 30 June 2009</b>			
<b>Service receivables</b>	<b>208,487,486</b>	<b>(122,174,590)</b>	<b>86,312,896</b>
Electricity	25,744,587	(12,421,871)	13,322,716
Refuse	20,526,723	(10,280,439)	10,246,284
Sewerage	19,990,216	(9,875,277)	10,114,939
Assessment rates	30,557,546	(16,693,238)	13,864,308
Water	43,561,949	(21,490,256)	22,071,693
Sundry Services	25,911,946	(24,779,236)	1,132,710
Interest on Debtors	40,956,400	(25,812,746)	15,143,654
Deposits	1,238,119	(821,526)	416,593
<b>As at 30 June 2008</b>			
<b>Service receivables</b>	<b>163,361,284</b>	<b>(89,198,254)</b>	<b>74,163,030</b>
Electricity	22,133,379	(12,085,230)	10,048,149
Refuse	16,838,457	(9,194,107)	7,644,350
Sewerage	16,120,043	(8,801,839)	7,318,204
Assessment rates	17,254,935	(9,421,511)	7,833,424
Water	31,110,605	(16,986,960)	14,123,645
Sundry Services	30,550,141	(16,680,936)	13,869,205
Interest on Debtors	28,107,447	(15,347,181)	12,760,266
Deposits	1,246,277	(680,490)	565,787
<b>Rates: ageing</b>		<b>27,906,245</b>	<b>17,568,362</b>
Current (0 – 30 days)		2,881,687	1,538,945
31 - 60 Days		1,734,161	3,610,419
61 - 90 Days		1,277,906	396,930
90+ Days		22,012,491	12,022,068
<b>Electricity, Water, Refuse and Sewerage: ageing</b>		<b>182,271,402</b>	<b>163,215,200</b>
Current (0 – 30 days)		12,060,535	11,090,371
31 - 60 Days		4,453,731	22,935,237
61 - 90 Days		3,805,717	2,933,275
90+ Days		161,951,419	126,256,317
<b>Summary of receivables by customer classification</b>	<b>Consumers</b>	<b>Industrial/Commercial</b>	<b>National and Provincial Government</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2009</b>			
Current (0 – 30 days)	7,392,360	5,367,439	2,182,423
31 - 60 Days	4,350,500	732,373	1,105,020
61 - 90 Days	4,160,911	367,749	554,962
90+ Days	171,137,965	9,603,638	1,532,146
<b>Sub-total</b>	<b>187,041,736</b>	<b>16,071,199</b>	<b>5,374,551</b>
Less: Provision for bad debt	(109,607,286)	(9,417,793)	(3,149,511)
<b>Total receivables by customer classification</b>	<b>77,434,450</b>	<b>6,653,406</b>	<b>2,225,040</b>
<b>30 June 2008</b>			
Current (0 – 30 days)	5,842,485	4,314,215	2,472,616
31 - 60 Days	23,875,973	2,023,696	645,987
61 - 90 Days	2,440,863	360,845	528,497
90+ Days	108,483,545	9,122,670	3,249,892
<b>Sub-total</b>	<b>140,642,866</b>	<b>15,821,426</b>	<b>6,896,992</b>
Less: Provision for bad debt	(77,989,032)	(7,806,260)	(3,402,962)
<b>Total receivables by customer classification</b>	<b>62,653,834</b>	<b>8,015,166</b>	<b>3,494,030</b>
<b>Reconciliation of bad debt provision</b>			
Balance at beginning of year		89,198,255	67,595,192
Contributions to provision		29,359,749	21,603,062
Less: Amounts of VAT that have been included in the provision		3,617,796	-
Bad debts written off against provision		(1,210)	-
Balance at the end of the year		<b>122,174,590</b>	<b>89,198,254</b>

**7 CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)****7.1 Fair value of consumer receivables**

The carrying value of consumer receivables approximate their fair values

**7.2 Pledged as security**

None of the consumer receivables held by the municipality were pledged as security for any liabilities, during either the current or prior year.

**8 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Interest on receivables	64,042	2,108,589
Sundry receivables	373,924	1,001,269
Other receivables	72,033	6,355,445
Unallocated amounts	1,905,044	2,695,081
<b>Total other receivables</b>	<b>2,415,043</b>	<b>12,160,384</b>

Interest on outstanding receivables are charged at prime plus 1% (2008: prime plus 1%)

**8.1 Pledged as security**

None of the other receivables held by the municipality were pledged as security for any liabilities, during either the current or prior year.

**8.2 Fair value of other receivables**

The carrying value other receivables approximate their fair values

**8.3 Impairment of other receivables**

None of the other receivables that were fully performing during the year were re-negotiated. These receivables are not considered to be impaired.

**9 OTHER RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS**

Government subsidies	26,443	1,750,769
Dividends receivable	-	3,649
	<b>26,443</b>	<b>1,754,418</b>

**10 DEFERRED OPERATING LEASE ASSETS**

Deferred operating lease asset	77,015	7,294
<b>Total operating lease assets</b>	<b>77,015</b>	<b>7,294</b>

**At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:**

Not later than 1 year	76,709	131,250
Between 1 and 5 years	332,413	316,854
Later than 5 years	8,873	105,499
	<b>417,995</b>	<b>553,603</b>

**Detail of operating leases**

*Grazing camps near Steynsrus, Viljoenskroon and Kroonstad are leased to various individuals over a period of 3 - 5 years with an average increase rate of 10% per annum.*

**11 CASH AND CASH EQUIVALENTS**

*For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.*

Cash and bank balances	1,018,726	178,307
Bank overdraft (See note 41)	(9,896,755)	(3,392,499)
<b>Total cash and cash equivalents</b>	<b>(8,878,029)</b>	<b>(3,214,192)</b>



### 11 CASH AND CASH EQUIVALENTS (CONTINUED)

#### 11.1 Pledged as security

None of the municipality's bank accounts were pledged as security for the bank overdraft as at year end

#### 11.2 Fair value of cash and cash equivalents

The carrying value of the cash and cash equivalents approximate their fair values

#### 11.3 Impairment of cash and cash equivalents

None of the cash and cash equivalents are considered to be impaired and consequently no provision was raised for the recoverability of these financial assets.

### 12 LONG-TERM BORROWINGS

#### Long term loans

Annuity loans

Finance lease liabilities - vehicles (note 12.1.1)

Finance lease liabilities - equipment (note 12.1.2)

31,535,859

34,587,320

24,983,042

23,871,649

22,953

920,366

6,529,864

9,795,305

#### Less: current portion transferred to current liabilities

Annuity loans

Finance lease liabilities - vehicles

Finance lease liabilities - equipment

Total long-term borrowings

9,288,543

8,363,230

7,468,710

5,841,167

22,953

889,608

1,796,880

1,632,455

22,247,316

26,224,090

Refer to Appendix A for more detail on long-term borrowings.

### 12.1 OBLIGATION UNDER FINANCE LEASE

#### 12.1.1 Finance lease liabilities - vehicles

#### Minimum lease payments

#### Present value of minimum lease payments

	2009 R	2008 R	2009 R	2008 R
Not later than 1 year	23,662	961,871	22,953	889,608
Between 1 and 5 years	-	40,445	-	30,758
	23,662	1,002,316	22,953	920,366
Less future finance charges	709	81,950	-	-
	22,953	920,366	22,953	920,366

#### Included in the financial statements as follows:

Current borrowings

Non-current borrowings

22,953

889,608

-

30,758

22,953

920,366

#### Detail of vehicle finance leases

Finance leases are secured by the vehicles leased. The borrowings are a mixture of variable and fixed interest rate debt at Wesbank, ABSA and Daimler Chrysler. The repayment periods do not exceed 5 years.

#### 12.1.2 Finance lease liabilities - Equipment

#### Minimum Lease Payments

#### Present value of minimum lease payments

	2009 R	2008 R	2009 R	2008 R
Not later than 1 year	3,577,418	2,944,756	1,796,880	1,632,456
Between 1 and 5 years	10,285,378	10,929,758	7,491,663	6,730,775
	13,862,796	13,874,514	9,288,543	8,363,231
Less future finance charges	4,574,253	5,511,283	-	-
	9,288,543	8,363,231	9,288,543	8,363,231

**12 LONG-TERM BORROWINGS (CONTINUED)**

Included in the financial statements as follows:

Current borrowings	1,796,880	1,632,456
Non-current borrowings	7,491,663	6,730,775
	<b>9,288,543</b>	<b>8,363,231</b>

**Detail of equipment finance leases**

Finance leases are secured by the equipment leased. The borrowings are a mixture of variable and fixed interest rate debt at Minolta and Nashua. There payment periods do not exceed 5 years.

**13 NON-CURRENT PROVISIONS**

Provision for the rehabilitation cost of landfill sites	1,672,243	1,256,242
Provision for the rehabilitation cost of quarries	1,115,733	487,480
<b>Total non-current provisions</b>	<b>2,787,976</b>	<b>1,743,722</b>

The movement in these non-current provisions are reconciled as follows:-

<b>Landfill sites</b>	<b>1,672,243</b>	<b>1,256,243</b>
Balance at beginning of year	1,256,243	1,574,664
Increase in provision	559,551	91,103
Expenditure incurred	(143,551)	(409,524)
<b>Balance at end of year</b>		
<b>Quarries</b>	<b>1,115,734</b>	<b>487,480</b>
Balance at beginning of year	487,480	417,075
Increase in provisions	628,254	70,405
Expenditure incurred	-	-
<b>Balance at end of year</b>		

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus. Provision has been made for this cost based on actual valuations received. No significant judgments were made, because actual quotations were obtained at the specified dates to determine these costs.

**Detail on rehabilitation provision for landfill sites quarries:****Kroonstad landfill site:**

The landfill site at Kroonstad needs to be rehabilitated after 26 years (2034). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

**Viljoenskroon landfill site:**

The landfill site at Viljoenskroon needs to be rehabilitated after 26 years (2034). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

**Steynsrus landfill site:**

The landfill site at Steynsrus needs to be rehabilitated after 21 years(2029). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

**Kroonstad gravel quarry**

The gravel quarry at Kroonstad needs to be rehabilitated after 15 years (2023). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass and the slopes erected.

**13 NON-CURRENT PROVISIONS (CONTINUED)**

**Steynsrus gravel quarry**

*The gravel quarry at Steynsrus needs to be rehabilitated after 16 years (2024).*

*Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass and the slopes erected.*

*Rehabilitation costs are incurred, as these sites are used and not at the end of the useful lives of this sites.*

**14 CONSUMER DEPOSITS**

Kroonstad	6,415,264	6,115,534
Steynsrus and Viljoenskroon	-	363,158
<b>Total consumer deposits</b>	<b>6,415,264</b>	<b>6,478,692</b>

Consumer deposits are raised when an services account is opened and is refunded to the consumer after the account is closed.

**15 PROVISIONS**

Provision for Bonuses	-	486,716
	-	<b>486,716</b>

**The movement in the non-current provision is reconciled as follows:-**

**30 June 2009**

Balance at beginning of year		486,716
Contributions to provision		(486,716)
Increase in provision due to the effect of time value of money		-
<b>Balance at end of year</b>		<b>-</b>

**30 June 2008**

Balance at beginning of year		486,716
Contributions to provisions		-
<b>Balance at end of year</b>		<b>486,716</b>

**Detail on provision for bonuses**

*Performance bonuses were awarded to qualifying employees after an assessment was done. These bonuses were not approved by council. Bonuses have not been paid and the outcome of the situation are uncertain. The performance bonuses in the accounting records were reversed.*

**16 PAYABLES FROM EXCHANGE TRANSACTIONS**

Payments received in advance	9,240,873	15,275,477
Other payables	72,177,256	49,370,234
Staff leave	738,743	1,718,857
Deposits other	(55,508)	2,287,610
Unallocated amounts	-	366,398
<b>Total payables</b>	<b>82,101,364</b>	<b>69,018,576</b>

Suppliers are paid within the prescribed 30 day period.

**17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**Conditional grants from other spheres of government**

Grants	5,825,560	1,977,953
<b>Total conditional grants and receipts</b>	<b>5,825,560</b>	<b>1,977,953</b>

*See note 22 for reconciliation of grants from other spheres of government. These amounts are invested until utilised. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.*

**18 TAXES PAYABLE**

VAT payable	-	9,893,260
VAT receivable	10,216,991	-
<b>Total VAT payable / receivable</b>	<b>10,216,991</b>	<b>9,893,260</b>

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

**19 PROPERTY RATES****Assessment rates**

Residential and commercial	32,449,783	16,410,995
State	6,238,063	8,581,095
<b>Total assessment rates</b>	<b>38,687,846</b>	<b>24,992,090</b>

**Valuations**

Residential	5,980,893,344	1,090,944,951
Commercial	1,214,248,175	352,160,475
State	752,730,366	299,226,521
Municipal	111,146,732	
Non-ratable	165,793,104	264,625,633
<b>Total property valuations</b>	<b>8,224,811,721</b>	<b>2,006,957,580</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivision. A general rate of R0.005 (2008: R0.0125) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an monthly basis and interest at prime plus 1% per annum (2008: prime plus 1%) is levied on outstanding rates.

**20 SERVICE CHARGES**

Sale of electricity	99,881,987	82,768,161
Sale of water	24,820,619	23,922,404
Refuse removal	7,107,658	6,303,360
Sewerage and sanitation charges	8,245,067	8,665,650
<b>Total service charges</b>	<b>140,055,331</b>	<b>121,659,575</b>

**21 INVESTMENT INCOME**

<b>Interest income</b>	<b>547,897</b>	<b>529,726</b>
Bank deposits	547,897	529,726
	<b>15,260</b>	<b>19,453</b>
Dividends received	15,260	19,453
<b>Total investment income</b>	<b>563,157</b>	<b>549,179</b>

**22 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	22.1	82,920,849	63,119,620
Councillors remuneration grant	22.2	-	1,786,000
Restructuring grant	22.3	554,000	500,000
Institutional grant	22.4	735,000	734,000
Municipal infrastructure grant	22.5	20,614,626	30,631,353
LG SETA	22.6	710,591	136,500
Website development grant	22.7	-	45,000
Housing development grant	22.8	1,992,350	2,708,000
<b>Total government grants &amp; subsidies</b>		<b>107,527,416</b>	<b>99,660,473</b>

## 22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

### 22.1 Equitable share

Balance unspent at beginning of year	-	-
Current year receipts	82,920,849	63,119,620
Conditions met - transferred to revenue	(82,920,849)	(63,119,620)
Conditions still to be met - transferred to liabilities - note 17	-	-

*In terms of the Constitution of the Republic of South Africa (No. 108), this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.*

### 22.2 Councillor remuneration grant

Balance unspent at beginning of year	-	-
Current year receipts	-	1,786,000
Conditions met - transferred to revenue	-	(1,786,000)
Conditions still to be met - transferred to liabilities - note 17	-	-

*In terms of the Constitution of the Republic of South Africa (No. 108), this grant is used to subsidise the remuneration of council.*

### 22.3 Restructuring grant

Balance unspent at beginning of year	-	-
Current year receipts	554,000	500,000
Conditions met - transferred to revenue	(554,000)	(500,000)
Conditions still to be met - transferred to liabilities - note 17	-	-

*The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.*

### 22.4 Institutional grant

Balance unspent at beginning of year	-	-
Current year receipts	735,000	734,000
Conditions met - transferred to revenue	(735,000)	(734,000)
Conditions still to be met - transferred to liabilities - note 17	-	-

*The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.*

### 22.5 Municipal infrastructure grant

	<b>4,785,327</b>	<b>1,977,953</b>
Balance unspent at beginning of year	1,977,953	2,780,761
Current year receipts	23,422,000	29,828,546
Conditions met - transferred to revenue	(20,614,626)	(30,631,354)

*The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.*

*The grant is not utilised in full, because some of the capital projects takes more than a year to be completed.*

### 22.6 LG SETA

Balance unspent at beginning of year	-	-
Current year receipts	710,591	136,500
Conditions met - transferred to revenue	(710,591)	(136,500)
Conditions still to be met - transferred to liabilities - note 17	-	-

*The grant is used for training on interns*

**22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)****22.7 Website development grant**

Balance unspent at beginning of year	-	-
Current year receipts	-	45,000
Conditions met - transferred to revenue	-	(45,000)
Conditions still to be met - transferred to liabilities - note 17	-	-

*The grant is used to develop the municipal website.*

**22.8 Housing development grant**

	1,147,622	-
Balance unspent at beginning of year	-	-
Current year receipts	3,139,972	2,708,000
Conditions met - transferred to revenue	(1,992,350)	(2,708,000)
Conditions still to be met - transferred to liabilities - note 17	-	-

*The grant is used to assist with the development of urban renewal.*

**23 OTHER INCOME**

Advertisement	272,933	48,744
Burial income	594,787	548,657
Connection fees	1,101,422	972,021
Non exchange revenue	-	1,096,491
Railway siding industrial	468,802	456,522
Erven sales	1,534,067	3,330,554
Fire Brigade Fees	76,036	85,261
Sundry income	12,828	967,863
Special services	221,059	165,857
Other income	1,442,760	1,791,507
Admittance Fees	383,939	-
insurance Claims	4,343,504	-
Skills Development claims- SETA	710,591	-
<b>Total other income</b>	<b>11,162,728</b>	<b>9,463,477</b>

**24 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and wages	77,355,487	73,881,755
Employee related costs - Contributions for UIF, pensions and medical aids	23,121,577	20,809,198
Housing allowance	1,029,532	824,923
Overtime payments	6,118,628	4,725,552
<b>Total employee related costs</b>	<b>107,625,224</b>	<b>100,241,428</b>

**Remuneration of the Municipal Manager**

	764,926	732,024
Annual remuneration	420,665	416,386
Performance bonus	-	36,866
Allowances	256,300	198,669
Contribution to UIF, medical and pension funds	87,961	80,103

**Remuneration of the Chief Financial Officer**

	584,773	656,720
Annual remuneration	339,897	336,440
Performance bonus	-	96,061
Allowances	212,378	194,195
Contribution to UIF, medical and pension funds	32,498	30,024

**Remuneration of individual Executive Directors:****Executive Director: Technical Services**

	720,968	236,040
Annual remuneration	381,650	141,624
Performance bonus	-	-
Allowances	337,821	93,792
Contribution to UIF, medical and pension funds	1,497	624

*The remuneration as reflected in 2008 is for a period of 5 months; a new director for technical services were appointed during the year after the position was vacant.*

24 EMPLOYEE RELATED COSTS (CONTINUED)

**Executive Director: Corporate Services**

	766,909	463,510
Annual remuneration	381,650	269,760
Performance bonus	-	-
Allowances	301,903	134,760
Contribution to UIF, medical and pension funds	83,356	58,990

*The remuneration as reflected in 2008 is for a period of 7 months; a new director for corporate services were appointed during the year after the position was vacant.*

**Executive Director: Community Services**

	769,550	477,876
Annual remuneration	381,650	283,248
Acting Allowance	-	-
Allowances	386,403	193,388
Contribution to UIF, medical and pension funds	1,497	1,240

25 REMUNERATION OF COUNCILLORS

Executive Mayor	336,219	309,447
Speaker	265,970	257,488
Mayoral Committee Members	1,882,671	1,713,705
Councillors	6,941,130	6,153,274
Councillors' medical and pension contributions	1,791,915	1,677,868
<b>Total Councillors' Remuneration</b>	<b>11,217,905</b>	<b>10,111,782</b>

**In-kind benefits**

*The Mayor, Speaker and Executive Committee Members are full time. Each is provided with an office and secretarial support at the cost of the council. The Mayor has use of a council owned vehicle for official duties. The Mayor has one full-time bodyguard.*

26 INTEREST PAID

Annuity loans	3,238,705	3,529,749
Finance leases - vehicles	48,371	223,228
Bank overdraft	897,695	1,131,934
<b>Total interest on external borrowings</b>	<b>4,184,771</b>	<b>4,884,911</b>

27 BULK PURCHASES

Electricity	64,454,175	46,599,766
<b>Total bulk purchases</b>	<b>64,454,175</b>	<b>46,599,766</b>



## 28 GENERAL EXPENSES

Included in general expenses is the following:

Advertisements	795,486	465,195
Audit fees	2,407,309	2,857,454
Bank charges	1,003,253	766,542
Bursaries	264,363	358,728
Chemicals	3,753,422	1,403,038
Cleaning campaign	674,807	352,339
Conferences and seminars	3,981,494	1,826,199
Consultant fees	8,907,030	4,373,381
Discretionary fund	290,485	278,360
Entertainment cost	1,423,233	489,110
Forex (Profit)/ Loss	111,099	0
Fuel and lubricants	5,097,566	3,875,049
Indigent contributions	2,653,733	1,746,236
Insurance	1,810,460	1,983,793
Inventory written down	-	106,983
Legal fees	1,401,505	1,565,169
Licenses other	1,378,883	256,856
Postal services	926,507	909,114
Printing and stationery	1,297,409	898,399
Protective clothing	655,816	371,730
Rent - office equipment	1,312,844	735,480
Skills development levy	853,022	766,822
Special programs	473,389	194,183
Stock and material	189,515	230,264
Telephone and fax	755,559	1,452,618
Training staff	1,291,918	450,457
Tourism extravaganza	-	9,161,018
Valuation roll	1,447,368	1,527,573
Workmen's compensation	600,000	555,026
Other expenditure	5,918,607	11,180,740
<b>Total</b>	<b>51,676,082</b>	<b>51,137,856</b>

## 29 PRIOR PERIOD ERRORS

### 29.1 Audit fees and audit committee expenditure

Audit fees and audit committee expenditure paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	(2,100)
Increase in audit fees	249,486
Increase in audit committee expenditure	3,266
Net effect on deficit for the year 30 June 2008	252,752
Decrease in other receivables	(250,213)
Increase in taxes payable	(2,539)
Decrease in other payables	2,100
Increase in net assets	-

**29 PRIOR PERIOD ERRORS (CONTINUED)**

**29.2 Employee social contributions**

Employee social contributions paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in employee social contributions	14,858
Net effect on deficit for the year 30 June 2008	14,858
Decrease in other receivables	(14,858)
Increase in net assets	-

**29.3 Employee salaries and allowances**

Employee salaries and wages paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in employee salaries and allowances	206
Net effect on deficit for the year 30 June 2008	206
Decrease in other receivables	(206)
Increase in net assets	-

**29.4 Employee Cost**

Employee salaries and wages paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in general expenditure	200
Net effect on deficit for the year 30 June 2008	200
Decrease in other receivables	(200)
Increase in net assets	-

**29.5 Printing and Stationery**

Printing and stationery paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in printing and stationery	7,244
Net effect on deficit for the year 30 June 2008	7,244
Decrease in other receivables	(7,244)
Increase in net assets	-

**29 PRIOR PERIOD ERRORS (CONTINUED)****29.6 Vehicle related expenditure**

Vehicle expenditure paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	<b>138,037</b>
Increase in vehicle licenses	1,206
Increase in fuel	997,720
Increase in vehicle repair and maintenance	697,177
Net effect on deficit for the year 30 June 2008	<b>1,696,103</b>
Decrease in other receivables	(2,029,590)
Increase in sundry receivables	10,000
Decrease in taxes payable	166,289
Decrease in other payables	19,161
Increase in net assets	-

**29.7 Youth officer activities**

Youth officer activities paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in Youth Officer activities	149,500
Increase in committees childcare	28,840
Net effect on deficit for the year 30 June 2008	<b>178,340</b>
Decrease in other receivables	(178,340)
Increase in net assets	-

**29.8 Stock and material**

Expenditure for stock and material paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in stock and material	11,953
Increase in sundry income	(719)
Net effect on deficit for the year 30 June 2008	<b>11,234</b>
Decrease in other receivables	(12,388)
Decrease in taxes payable	1,154
Increase in net assets	-

29 PRIOR PERIOD ERRORS (CONTINUED)

29.9 Advertisement

Expenditure for advertisements paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in advertisement expenditure	155,005
Net effect on deficit for the year 30 June 2008	155,005
Decrease in other receivables	(258,672)
Increase in property, plant and equipment	61,926
Decrease in taxes payable	19,244
Decrease in other payables	22,497
Increase in net assets	-

29.10 Government grants and subsidies

Government grants and subsidies received which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in government grants and subsidies	(2,844,500)
Increase in training cost	136,500
Increase in postal services	23,791
Net effect on deficit for the year 30 June 2008	(2,684,209)
Decrease in other receivables	(1,540,291)
Decrease in unspent grants	591,500
Increase in VAT payable	379,120
Increase in Property, plant and equipment	3,253,880
Increase in net assets	-

29.11 Tourism expenditure

Expenditure for tourism paid which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	(1,566,967)
Net effect on deficit for the year 30 June 2008	
Increase in Property plant and equipment	145,091
Increase in taxes payable	(933)
Decrease in other payables	1,422,809
Increase in net assets	-

**29 PRIOR PERIOD ERRORS (CONTINUED)****29.12 Unallocated suspense accounts**

Expenditure and income allocated to suspense accounts which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007

Increase in valuation roll expenditure  
Increase in legal fees  
Increase in contracted fees  
Increase in books and magazines  
Decrease in repair and maintenance  
Decrease in employee cost  
Increase in commission paid  
Increase in other expenditure  
Increase in other income  
Increase in government grants and subsidy income

Net effect on deficit for the year 30 June 2008

Decrease in other receivables  
Increase in inventory  
Increase in unspent conditional grant  
Decrease in consumer deposits  
Decrease in payments received in advance  
Decrease in consumer receivables  
Increase in Property plant and equipment  
Increase in taxes payable  
Decrease in other payables

Increase in net assets

**29.13 Provision for bad debt**

Provision for bad debt which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007

Decrease in contribution to bad debt  
Decrease in contribution to bad debt reserve

Net effect on deficit for the year 30 June 2008

Decrease in provision for bad debt  
Increase in other receivables

Increase in net assets

**29.14 Reconstruction of the fixed asset register**

A complete reconstruction of the Fixed Asset Register was performed during the current year due to numerous, material errors in prior periods. Due to this reconstruction of the fixed asset register the following reclassifications were done which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have

Adjustment against opening accumulated surplus 30 June 2007

Net effect on deficit for the year 30 June 2008

Increase in Property plant and equipment  
Increase in accumulated depreciation  
Decrease in other payables

Increase in net assets

**(27,991,229)**

20,400  
363,594  
375,892  
15,381  
(5,362)  
2,883,267  
16,551  
4,505,810  
(441,193)  
(372,882)

**7,361,458**

(18,370,902)  
319,543  
(1,918,298)  
663,588  
5,483,399  
7,311,038  
19,872,729  
1,592,554  
5,676,120

-

-

15,965,562  
(2,262,500)

**13,703,062**

(17,156,790)  
3,453,728

-

**(576,732,444)**

-

1,747,203,027  
(1,169,534,672)  
(935,911)

-

## 29 PRIOR PERIOD ERRORS (CONTINUED)

### 29.15 Consumer receivables

Due to a consumer receivable confirmation the following reclassifications which related to the 2007/8 financial year was recorded in the 2006/7 financial year. The comparative figures have been restated. The effect of the restatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	6,129,797
Net effect on deficit for the year 30 June 2008	-
Decrease in consumer receivables	(7,576,526)
Increase in consumer deposits	48,382
Decrease payments in advance	1,402,203
Increase in taxes payable	(3,856)
Increase in net assets	-

### 29.16 Fixed Asset additions capitalized in the incorrect period.

During the Fixed Asset Register reconstruction certain infrastructure items were identified as additions in the 2008/2009 financial year. However, upon further inspection, these items were identified as additions for the 2007/2008 financial year. The effect of the misstatement is as follows:

Adjustment against opening accumulated surplus 30 June 2007	-
Decrease in repairs and maintenance	(8,427,919)
Net effect on deficit for the year 30 June 2008	(8,427,919)
Increase in Property, plant and equipment	8,427,919
Increase in net assets	-

### 29.17 Provision for performance bonuses

Adjustment against opening accumulated surplus 30 June 2007	(486,716)
Decrease in employee cost	-
Net effect on deficit for the year 30 June 2008	-
Decrease in provisions	486,716
Increase in net assets	-

### 29.18 Dividends received

During the 2007/2008 financial year dividends were declared that were only recognised in the current financial year.

Adjustment against opening accumulated surplus 30 June 2007	-
Increase in dividends received	(3,649)
Net effect on deficit for the year 30 June 2008	(3,649)
Increase in other receivables	3,649
Increase in net assets	-



**29 PRIOR PERIOD ERRORS (CONTINUED)****29.19 Municipal Infrastructure Grant (MIG)**

Correction of MIG Revenue incorrectly recognised in the 2006/2007 financial year and correction of MIG income incorrectly allocated to National Government Grants

Adjustment against opening accumulated surplus 30 June 2007

**(3,634,197)**

Decrease in government income

906,793

Net effect on deficit for the year 30 June 2008

**906,793**

Increase in MIG- Current year receipts (07/08)

633,817

Decrease in National Government- Current year receipts (07/08)

2,093,587

Increase in net assets

-

**29.20 Write- down of inventory to Net Realisable Value**

Write- down of inventories of coal to Net Realisable Value

Adjustment against opening accumulated surplus 30 June 2007

-

Increase in write- down expense

106,983

Net effect on deficit for the year 30 June 2008

**106,983**

Decrease in Inventory

(106,983)

Increase in net assets

-

**29.21 Correction of classification between general expenditure and service charges**

During the 2007/2008 financial year an error was made in the allocation of amounts between general expenditure and service income.

Adjustment against opening accumulated surplus 30 June 2007

-

Decrease in general expenses

(1,526,485)

Decrease in service charges

1,526,485

Increase in net assets

-

**30 CASH GENERATED BY OPERATIONS**

Net surplus/ (deficit) for the year

(40,239,001)

21,336,818

*Adjustment for:*

-

-

Depreciation and amortisation of non-current assets

44,602,512

989,281

Surplus on sale or disposal of property, plant and equipment

(428,303)

(41,305)

Surplus on revaluation of fair value through profit or loss financial assets

(4,336)

(29,241)

Interest received

(5,223,689)

(5,250,726)

Dividends received

(563,157)

(549,179)

Contributions to provisions - non-current

1,044,255

(248,018)

Contributions to bad debt provision

29,359,749

21,603,062

Inventory written down to Net realizable value

-

106,983

Finance cost recognised in net surplus/deficit

4,184,771

4,884,911

**Operating surplus before working capital changes:**

**32,732,800**

**42,802,588**

**(33,534,825)**

**17,640,795**

Decrease/(Increase) in inventories

262,050

(1,232,956)

Decrease/(Increase) in consumer receivables

(41,470,473)

(48,940,732)

Decrease/(Increase) in other receivables

11,473,316

64,355,270

Decrease/(Increase) in operating lease assets

(69,721)

6,503

Increase/(decrease) in conditional grants & receipts

3,847,611

1,977,953

Increase/(decrease) in provisions

(486,718)

-

(Decrease)/increase in consumer deposits

(63,428)

(2,101,669)

(Decrease)/increase in tax payable

(20,102,533)

(3,840,302)

Increase/(decrease) in payables

13,075,070

7,416,728

**Cash generated by operations**

**(802,025)**

**60,443,382**

**31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT****31.1 Audit fees**

31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

**31.2 PAYE AND UIF**

Opening balance	-	-
Current year payroll deductions	10,034,109	9,142,347
Amount paid - current year	(10,034,109)	(9,142,347)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**31.3 Pension and medical aid deductions**

Opening balance	-	-
Current year payroll deductions and council contributions	27,505,103	27,505,103
Amount paid - current year	(27,505,103)	(27,505,103)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**31.4 Skills Development Levy**

Opening balance	-	-
Current year payroll deductions and council contributions	853,022	766,822
Amount paid - current year	(853,022)	(766,822)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**31.5 Councillor's arrear consumer accounts**

The following councillors had arrear accounts outstanding for more than 90 days as at:

	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
<b>30 June 2009</b>			
<b>Councillor:</b>			
Dire AMS	2,378	-	2,378
Mbono MD	355	180	175
Mckenzie AE	360	94	266
Moamogoa MS	4,982	265	4,717
Mofokeng MJ	13,402	180	13,222
Mohlolo PM	527	293	234
Mokodutlo NP	2,943	-	2,943
Mokotla ME	6,927	-	6,927
Monoto MA	339	124	215
Nakedi ACWD	1,278	194	1,084
Raphuthing PP	3,514	-	3,514
Seakhela SS	1,147	431	716
Tladi SB	6,753	130	6,623
<b>Total councillor arrear consumer accounts</b>	<b>44,905</b>	<b>1,891</b>	<b>43,014</b>

	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
<b>30 June 2008</b>			
<b>Councillor:</b>			
Brink DJ	568	568	-
Dire AMS	540	540	-
Letsabo J	488	488	-
Makau TL	12,889	9,569	3,320
Makoele LE	4,354	50	4,304
Matli SJ	996	263	733
Mbono MD	652	78	574
Mckenzie AE	16,400	3,906	12,494
Mokodutlo NP	3,555	3,555	-
Mokotla ME	7,802	7,802	-
Monoto MA	2,890	80	2,810
Pittaway M	4,700	4,700	-
Seakhela SS	7,202	179	7,023
Taje F	6,280	268	6,012
Tladi SB	2,433	78	2,355
Tumisi TJ	6,489	705	5,784
Viljoen AH	709	709	-
Wille GV	823	823	-
<b>Total councillor arrear consumer accounts</b>	<b>79,770</b>	<b>34,361</b>	<b>45,409</b>

**31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)****31.6 Reticulation losses**

Estimated electricity losses suffered by the municipality for the year under review are as follows:

	2009	2008
Estimated line losses	4,985,380	1,135,334
Total losses due to tampering or theft	3,451,626	-
Total system losses	8,437,007	1,135,334

Estimated water losses suffered by the municipality for the year under review are as follows:

Estimated losses	33,769,648	-
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**32 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

**Approved and contracted for**

Infrastructure

**Total**

59,874,697	50,375,681
<b>59,874,697</b>	<b>50,375,681</b>

*Prior period amounts have been restated.*

**33 RETIREMENT BENEFIT INFORMATION**

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans.

**33.1 Defined contribution plans****The following are defined contribution plans:**

Free State Municipal Pension Fund  
Free State Municipal Provident Fund  
Maokeng Provident Fund  
SAMWU National Provident Fund

**33.2 Defined benefit plans****The following are defined benefit plans:**

Government Employment Pension Fund  
SALA Pension Fund

*These are not treated as a defined benefit plan as defined by IAS 19 (AC 116), but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to a lack of information. According to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for defined benefit plans is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.*

*Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2007. These valuations indicate that the funds are in sound financial position. The estimated liability of the fund is R5,580.3 million which is adequately financed by assets of R6,138.70 million.*

*Some employees belong to the Government Employment Pension Fund. The latest actuarial valuation of the fund was on 31 March 2006. These valuations indicate that the fund are in a sound financial position. The estimated liability of the fund is R447,474 million which is adequately financed by assets of R545,563 million.*

*An amount of R18.2 million was contributed by council in respect of councillor and employees retirement funding. These contributions have been expensed.*

### 34 CONTINGENT LIABILITY

The municipality is being sued in the following pending claims against the council. All the claims are being contested based on legal advice.

The timing of the outflow of these liabilities are uncertain. The amounts disclosed are the possibility of the amount of outflow.

#### 34.1 Pending claims

Claims by individuals due to damage of vehicles in various incidents  
 Claim for performance bonus  
 Claim for unfair property levy  
 Claim for unfair dismissal  
 Claim from the South African Local Government Association  
 Claim from creditor - account dispute  
 Claim from supplier- contractual dispute  
 Claim for damages to property due to spread of fire  
 Claims for damages to electrical appliances due to power surge  
 Claims by individuals due to injuries in various incidents  
 Claims for damages of telephone cables  
 Claim for damages to property due to storm water damage

	4,576,789	1,498,411
	508,669	45,965
	-	65,362
	-	70,000
	40,000	-
	2,500,000	-
	45,000	37,992
	1,258,120	-
	200,000	466,564
	-	24,757
	-	660,872
	25,000	-
	-	126,899

### 35 RELATED PARTIES

The following related party transactions have been identified during the year under review:

Entity	Related individual	Association to municipality	Total amount of transactions
Long Island Trading 42 (Pty) Ltd	NP Mokodutlo	Councillor	160,325
Riverwalk Trading 166 CC	KM Mantso	Councillor	54,000
Total			214,325

### 36 EVENTS AFTER THE REPORTING DATE

None

### 37 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix C.

### 38 IRREGULAR EXPENDITURE

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

#### Appointment of consultant

Opening Balance  
 Irregular, fruitless and wasteful current year  
 Condoned or written off by council  
 Irregular, fruitless and wasteful expenditure awaiting condonement

2,620,621	2,620,621
4,806,487	-
-	-
-	-
7,427,108	2,620,621

Altimax Consultants was appointed during the financial year. The deviation of the SCM Policy was reported to National Treasury and not yet tabled before council.

The reason for the appointment of Altimax consultants was that they have a good record

and changed some municipal audit reports from a disclaimer to an unqualified audit report.

#### Purchase of air conditioners for housing department at Moakeng

Opening Balance  
 Irregular, fruitless and wasteful current year  
 Condoned or written off by council  
 Irregular, fruitless and wasteful expenditure awaiting condonement

8,633	8,633
-	-
-	-
8,633	8,633

*The matter is still under investigation.*

## 38 IRREGULAR EXPENDITURE (CONTINUED)

**Missing computers**

Opening Balance	38,500	38,500
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	38,500	38,500

*The matter is still under investigation.*

**Rendering of security services**

Opening Balance	39,612	39,612
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	39,612	39,612

*The matter is still under investigation.*

**Appointment of managers directly accountable to municipal manager**

Opening Balance	2,145,809	2,145,809
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	2,145,809	2,145,809

*The matter is still under investigation.*

**Refurbishment of traffic offices at Moakeng**

Opening Balance	33,087	33,087
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	33,087	33,087

*The matter is still under investigation.*

**Misuse of Council vehicle**

Opening Balance	436	436
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	436	436

*The matter is still under investigation.*

**Performance Bonuses**

Opening Balance	141,954	141,954
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	141,954	141,954

*The matter is still under investigation.*

**Require quotations for purchases not obtained in terms of Supply Chain Management**

Opening Balance	-	-
Irregular, fruitless and wasteful current year	24,040	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	24,040	-

*The matter is still under investigation.*

**Non adherence to tender regulations - Micro Mega**

Opening Balance	1,190,188	-
Irregular, fruitless and wasteful current year	536,702	1,190,188
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	1,726,890	1,190,188

*The matter is still under investigation.*

**Non adherence to tender regulations - MMS**

Opening Balance	621,966	-
Irregular, fruitless and wasteful current year	3,463,193	621,966
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	4,085,159	621,966

**38 IRREGULAR EXPENDITURE (CONTINUED)**

**Non adherence to tender regulations**

Opening Balance	-	-
Irregular, fruitless and wasteful current year	1,744,780	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>1,744,780</u>	<u>-</u>

*The matter is still under investigation.*

**Non adherence to Supply Chain Management for payments made**

Opening Balance	-	-
Irregular, fruitless and wasteful current year	2,442,638	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>2,442,638</u>	<u>-</u>

*The matter is still under investigation.*

**Related Party Transactions**

Opening Balance	-	-
Irregular, fruitless and wasteful current year	214,325	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>214,325</u>	<u>-</u>

*The matter is still under investigation.*

**TOTAL OF IRREGULAR EXPENDITURE**

**20,072,972 6,840,807**

**39 FRUITLESS AND WASTEFUL EXPENDITURE**

**Fruitless and wasteful expenditure occurred, late VAT payment.**

Opening Balance	46,697	46,697
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>46,697</u>	<u>46,697</u>

*The matter is still under investigation.*

*The following matters were identified from a special investigation done:*

**Painting roof of municipal offices at Maokeng**

Opening Balance	110,338	110,338
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>110,338</u>	<u>110,338</u>

*The matter is still under investigation.*

**Refurbishment and painting of six chalets and managers house at Kroonpark**

Opening Balance	95,437	95,437
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>95,437</u>	<u>95,437</u>

*The matter is still under investigation.*

**Painting of chalets at Kroonpark**

Opening Balance	46,590	46,590
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>46,590</u>	<u>46,590</u>

*The matter is still under investigation.*

**Painting of offices and the roof at Brentpark**

Opening Balance	40,053	40,053
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>40,053</u>	<u>40,053</u>

*The matter is still under investigation.*



**39 FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)****Painting housing offices at Moakeng**

Opening Balance	44,930	44,930
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	44,930	44,930

*The matter is still under investigation.*

**Painting councillors offices and board room at Moakeng**

Opening Balance	39,960	39,960
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	39,960	39,960

*The matter is still under investigation.*

**Replacement of damaged tiles at the theatre**

Opening Balance	2,596	2,596
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	2,596	2,596

*The matter is still under investigation.*

**Fencing of Kroonpark**

Opening Balance	479,934	479,934
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	479,934	479,934

*The matter is still under investigation.*

**Tourism Extravaganza**

Opening Balance	8,767,681	8,767,681
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	8,767,681	8,767,681

*The matter is still under investigation.*

**Expenses as contained in the Majavu Report**

Opening Balance	677,673	677,673
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	677,673	677,673

**Appointment of employees in positions not necessary for service delivery**

Opening Balance	-	-
Fruitless and wasteful current year	1,601,263	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	1,601,263	-

**Interest on loan amounts as a result of exceeding of payment terms**

Opening Balance	-	-
Fruitless and wasteful current year	2,551,151	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting condonement	2,551,151	-

**TOTAL OF FRUITLESS AND WASTEFUL EXPENDITURE**

14,504,303	10,351,889
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**40 UNAUTHORISED EXPENDITURE**

Budget overspending	75,859,183	3,663,520
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The above overspending is for individual votes

### 41 BANK BALANCES AND CASH

The municipality has the following bank accounts:

#### Current account (primary bank account)

ABSA Bank  
Account number 40 532 74826

Cashbook balance at the beginning of the year	(3,392,499)	1,586,602
Cashbook balance at the end of the year (overdrawn)	(12,338,755)	(3,392,499)
Bank statement balance at the beginning of the year	(3,958,296)	5,514,987
Bank statement balance at the end of the year (overdrawn)	(12,034,951)	(3,958,296)

#### Current account (Steynsrus)

First National Bank  
Account Number 62028349349

Cashbook balance at the beginning of the year	159,197	64,854
Cashbook balance at the end of the year	323,413	159,197
Bank statement balance at the beginning of the year	159,197	64,854
Bank statement balance at the end of the year	304,803	159,197
<b>Total cashbook balance at the beginning of the year</b>	<b>(3,233,302)</b>	<b>1,651,456</b>
<b>Total cashbook balance at the end of the year</b>	<b>(12,015,342)</b>	<b>(3,233,302)</b>

#### Cash on hand

Balance at the beginning of the year	19,110	16,915
Balance at the end of the year	18,610	19,110

#### Limited Cession facility:

- ABSA Fixed Deposit Account no. 2048435948 to the amount of R20 000
- ABSA Notice Deposit Account no. 6301219190 to the amount of R7 800

#### Unlimited Cession facility:

- ABSA Bonus Deposit Account no. 2058247882 with an balance of R41 039

### 42 GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 43 RESTATEMENT OF COMPARATIVES

Certain comparatives have been reclassified.

### 44 FINANCIAL DIFFICULTY EXPERIENCED BY THE MUNICIPALITY

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant increase in the bank overdraft from R3 392 499 to R12 338 755 (264%) indicates a cash flow risk which could lead to the municipality not being in the position to meet its current obligations in the normal course of business .
- The municipality incurred a substantial deficit during the year of R40 239 001.
- The creditors are also not paid within 30 days as required by the MFMA. This is evidenced by, for example, audit finding 36 issued during the current year.
- Debt collection period has improved during the current year, however it remains at 211.2 days which is significantly more than the policy norm of 30 days.

The following measures were implemented by the municipality to address these financial difficulties:

- More effective and regular cut-off actions.
- Cut back all unnecessary expenditure.
- Reduce our debtor's book.

**MOQHAKA LOCAL MUNICIPALITY**  
**UNAUDITED SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2009**

**APPENDIX A**

External loans	Loan Number	Redeemable	Balance at 30/6/2008	Received during the year	Redeemed or written off during the year	Balance at 30/6/2009	Carrying value of Property, Plant & Equipment	Other costs in accordance with MFMA
			R	R	R	R	R	R
<b>Annuity loans</b>								
Development Bank of SA @ 13.50%	100769	2012	15,561,406	-	-	15,561,406	15,561,406	-
Development Bank of SA @ 12.00%	12841	2013	196,663	-	-	196,663	196,663	-
Development Bank of SA @ 13.30%	12842	2014	42,324	-	-	42,324	42,324	-
Development Bank of SA @ 10.70%	101183	2026	2,496,283	-	-	2,496,283	2,496,283	-
<b>Total</b>			<b>18,296,676</b>	<b>-</b>	<b>-</b>	<b>18,296,676</b>	<b>18,296,676</b>	<b>-</b>
Infrastructure Finance Corporation Ltd @ 17.25%	27	2011	1,605,951	-	214,473	1,391,478	1,391,478	-
<b>Total</b>			<b>1,605,951</b>	<b>-</b>	<b>214,473</b>	<b>1,391,478</b>	<b>1,391,478</b>	<b>-</b>
ABSA @ 9.94%	2	2010	574,859	-	177,205	397,654	397,654	-
<b>Total</b>			<b>574,859</b>	<b>-</b>	<b>177,205</b>	<b>397,654</b>	<b>397,654</b>	<b>-</b>
Standard Bank @ 8.73%	36	2010	1,400,000	-	500,000	900,000	900,000	-
<b>Total</b>			<b>1,400,000</b>	<b>-</b>	<b>500,000</b>	<b>900,000</b>	<b>900,000</b>	<b>-</b>
Sanlam @ 16.75%	15	2007	-	-	-	-	-	-
Sanlam @ 17.00%	18	2008	20,033	-	20,033	-	-	-
Sanlam @ 17.10%	20	2009	165,106	-	165,106	-	-	-
Sanlam @ 16.50%	21	2010	403,533	-	173,126	230,407	230,407	-
Sanlam @ 16.80%	23	2011	411,600	-	118,696	292,904	292,904	-
Sanlam @ 17.26	25	2011	775,945	-	177,961	597,984	597,984	-
<b>Total</b>			<b>1,776,217</b>	<b>-</b>	<b>654,922</b>	<b>1,121,295</b>	<b>1,121,295</b>	<b>-</b>
Free State Municipal Pension Fund @ 13.00%	36035	2004	-	-	-	-	-	-
Free State Municipal Pension Fund @ 11.45%	36039	2008	-	-	-	-	-	-
Free State Municipal Pension Fund @ 9.50%	36042	2005	14,172	-	6,921	7,251	7,251	-
Free State Municipal Pension Fund @ 9.50%	36043	2009	13,227	-	6,460	6,767	6,767	-
Free State Municipal Pension Fund @ 9.50%	36046	2007	76,186	-	24,226	51,960	51,960	-
Free State Municipal Pension Fund @ 10.00%	36047	2010	114,360	-	20,696	93,664	93,664	-
<b>Total</b>			<b>217,945</b>	<b>-</b>	<b>58,303</b>	<b>159,642</b>	<b>159,642</b>	<b>-</b>
<b>Total external loans</b>			<b>23,871,648</b>	<b>-</b>	<b>1,604,903</b>	<b>22,266,745</b>	<b>22,266,745</b>	<b>-</b>

## MOQHAKA LOCAL MUNICIPALITY

## APPENDIX B

## UNAUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Cost			Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	
<b>Land and Buildings</b>								
Land and Buildings	27,541,938	-	-	-	-	-	27,541,938	18,785,778
	<b>27,541,938</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,541,938</b>	<b>18,785,778</b>
<b>Investment Property</b>								
Land and Buildings	30,048,542	-	-	-	-	-	30,048,542	23,345,110
	<b>30,048,542</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,048,542</b>	<b>23,345,110</b>
<b>Infrastructure</b>								
Electricity	675,125,831	457,018	-	-	-	-	675,582,849	338,359,028
Infrastructure assets at parks	77,732,531	-	-	-	-	-	77,732,531	34,609,580
Potable water networks	417,806,440	223,289	-	-	-	-	418,029,729	202,881,287
Roads, bridges and roadside structures	563,251,896	-	-	-	-	-	563,251,896	215,116,960
Waste water network	326,858,066	1,708,758	-	-	-	-	328,566,824	172,101,850
Storm Water	63,034,765	-	-	-	-	-	63,034,765	32,405,612
Solid waste	10,741,053	-	-	-	-	-	10,741,053	4,482,184
	<b>2,134,550,582</b>	<b>2,389,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,136,939,648</b>	<b>999,956,501</b>
<b>Community Assets</b>								
Parks & Gardens	70,789,078	-	-	-	-	-	70,789,078	27,192,848
Land and Buildings	10,573,419	-	-	-	-	-	10,573,419	6,381,689
	<b>81,362,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,362,497</b>	<b>33,564,537</b>
<b>Intangible Assets</b>								
Intangible Assets	2,769,735	-	-	-	-	-	2,769,735	2,155,744
	<b>2,769,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,769,735</b>	<b>2,155,744</b>
<b>Heritage Assets</b>								
Heritage Assets	17,544	-	-	-	-	-	17,544	17,544
	<b>17,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,544</b>	<b>17,544</b>
<b>Other Assets</b>								
Motor Vehicles	25,778,064	80,581	-	-	-	-	22,698,604	18,209,294
Furniture	2,010,021	269,069	-	-	-	-	2,279,090	1,620,623
Office Equipment	13,230,527	593,256	-	-	-	-	13,823,783	9,897,286
Plant and Equipment	2,693,431	223,141	-	-	-	-	2,916,572	1,543,689
IT Equipment	3,360,071	299,971	-	-	-	-	3,660,042	1,772,839
	<b>47,072,114</b>	<b>1,466,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,378,091</b>	<b>33,043,741</b>
<b>Total</b>	<b>2,323,362,952</b>	<b>3,855,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,324,057,994</b>	<b>1,110,868,956</b>

## MOQHAKA LOCAL MUNICIPALITY

## APPENDIX C

## UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals	Closing Balance	
Assessment Rates	87,157						87,157	28,926	12,313			41,239	45,918
Brentpark Swimming Bath	4,334,986						4,334,986	2,858,899	91,179			2,950,078	1,384,908
Budgets							-	-	-			-	-
Building Survey	1,807,546						1,807,546	69,008	167,484			236,492	1,571,054
Buildings	68,163,899						68,163,899	28,107,194	785,426			28,892,620	39,271,279
Cemeteries	3,319,820						3,319,820	2,020,823	63,805			2,084,628	1,235,192
Civic Centre	236,919						236,919	94,762	12,394			107,156	129,763
Civil Services	1,286,051						1,286,051	249,125	185,661			434,786	851,265
Committee Services							-	-	-			-	-
Communication and													
Marketing	48,333						48,333	16,192	5,831			22,023	26,310
Community Halls	42,045						42,045	19,504	2,238			21,742	20,303
Community Services													
Administration	608,728						608,728	174,895	70,713			245,608	363,120
Corporate Services													
Administration	4,853,222						4,853,222	634,219	796,866			1,431,085	3,422,137
Council General Expenses	5,660						5,660	2,989	409			3,398	2,262
Drawing Office	81,275						81,275	2,250	1,107			3,357	77,918
Electricity Distribution	647,725,913	457,018					648,182,930	314,303,839	722,750			315,026,589	333,156,341
Electricity Generation	1,220						1,220	-	-			-	1,220
Electricity Metering Section	719,890						719,890	85,997	16,521			102,518	617,372
Electricity Services													
Administration	29,982,359						29,982,359	12,820,174	9,745,331			22,565,505	7,416,854
Emergency and Disaster													
Management Administration	624,987						624,987	149,920	53,023			202,943	422,044
Finance Services	1,923,298						1,923,298	596,691	238,907			835,598	1,087,700
Fleet Management	3,837,484						3,837,484	26,042	4,176			30,218	3,807,266
Grants- in- aid							-	-	-			-	-
Housing	27,550						27,550	10,243	3,356			13,599	13,951
Human Resources	171,774						171,774	47,076	17,702			64,778	106,996
Information Technology	3,646,530						3,646,530	440,299	535,662			975,961	2,670,569
Integrated Development and													
Planning	5,750						5,750	1,984	784			2,768	2,982
Internal Audit	197,031						197,031	29,846	29,336			59,182	137,849
Jukseipark							-	-	-			-	-
Kroonpark	58,580,711						58,580,711	24,235,086	1,465,414			25,700,500	32,880,211
Landfill Site	10,968,932						10,968,932	5,924,158	358,037			6,282,195	4,686,737
Libraries	223,187						223,187	94,349	14,591			108,940	114,247
Local Economic Development							-	-	-			-	-
Loubserpark	13,068,627						13,068,627	9,098,576	292,965			9,391,541	3,677,086
Manager Corporate Services													
	76,636						76,636	24,635	7,761			32,396	44,240
Mayor's Office	365,800						365,800	48,251	12,961			61,212	304,588
Morewag Swimming Bath	7,633,326						7,633,326	4,989,554	184,607			5,174,161	2,459,165
Mowing Section	557,483						557,483	162,066	11,861			173,927	383,556
Municipal Manager	2,690,947						2,690,947	702,183	292,020			994,203	1,696,744
Nyakallong Recreation													
Resort	4,971,279						4,971,279	1,997,507	142,479			2,139,986	2,831,293
Occupational Health and													
Safety	125,760						125,760	22,516	3,634			26,150	99,610
Office of the Whip	1,030,154						1,030,154	116,277	204,413			320,690	709,464
Other Councillors	1,177,331						1,177,331	131,851	189,987			321,838	855,493
Parks Administration	1,284,040						1,284,040	375,863	103,413			479,276	804,764
Pavements and Open													
Spaces	242,683						242,683	23,371	2,926			26,297	216,386
Properties Farmlands							-	-	-			-	-
Public Gardens North	200,743						200,743	28,699	2,714			31,413	169,330
Public Gardens South	28,770						28,770	-	-			-	28,770
Public Toilets							-	-	-			-	-
Public Works	497,721						497,721	107,518	9,451			116,969	380,752
Pumps and Purification	154,737,726	212,105					154,949,832	110,206,444	2,995,426			113,201,870	41,747,961
Railway sidings							-	-	-			-	-
Recreation	59,532,549						59,532,549	39,027,579	1,253,264			40,280,843	19,251,706
Refuse Removal	3,001,235						3,001,235	460,149	62,903			523,052	2,478,183
Regional Co-ordinator													
Steynsrus	137,302						137,302	41,296	7,626			48,922	88,380
Regional Co-ordinator													
Viljoenskroon	98,878						98,878	1,770	897			2,667	96,211
Riverside Swimming Bath							-	-	-			-	-
Roads and Streets	570,960,045	1,466,018				3,160,041	569,266,022	339,210,937	12,350,810		2,113,720	349,448,027	219,817,995
Security	145,773						145,773	12,980	2,571			15,551	130,222
Sewerage and Purification	128,507,451	1,466,805					129,974,256	72,356,763	3,065,385			75,422,148	54,552,108
Sewerage Network	190,825,825	241,952					191,067,777	78,059,483	3,232,070			81,291,553	109,776,224
Speaker's Office	277,972						277,972	39,067	13,844			52,911	225,061
Storage Dams	12,768,146	11,185					12,779,331	4,969,901	181,216			5,151,117	7,628,214
Stores and Procurement	2,910						2,910	1,035	151			1,186	1,724
Street Cleaning Services							-	-	-			-	-
Town Hall	52,222						52,222	22,071	2,548			24,619	27,603
Traffic	797,798						797,798	63,436	13,568			77,004	720,794
Valuations							-	-	-			-	-
Water Reticulation	322,212,102						322,212,102	115,184,874	4,523,078			119,707,951	202,504,150
Water Services													
Administration	1,841,463						1,841,463	169,104	34,949			204,053	1,637,410
<b>Total</b>	<b>2,323,362,952</b>	<b>3,855,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,160,041</b>	<b>2,324,057,994</b>	<b>1,170,700,246</b>	<b>44,602,512</b>	<b>-</b>	<b>2,113,720</b>	<b>1,213,189,040</b>	<b>1,110,868,956</b>

**MOQHAKA MUNICIPALITY**  
**APPENDIX D**  
**UNAUDITED DEPARTMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009**

	Actual Income 2008 R	Actual Expenditure 2008 R	Surplus/ (Deficit) 2008 R		Actual Income 2009 R	Actual Expenditure 2009 R	Surplus/ (Deficit) 2009 R
	2,989,300	45,933,760	(42,944,460)	Executive & Council	4,625,566	53,920,551	(49,294,985)
	56,055,987	(6,542,211)	62,598,198	Finance & Administration	79,757,144	49,270,278	30,486,866
	-	2,600,536	(2,600,536)	Planning & Development	-	3,197,440	(3,197,440)
	-	129,231	(129,231)	Health	-	120,053	(120,053)
	707,263	15,580,558	(14,873,295)	Community & Social Services	790,763	18,984,868	(18,194,105)
	3,800,540	1,745,156	2,055,384	Housing	2,004,745	1,719,443	285,302
	876,287	19,509,402	(18,633,115)	Public Safety	1,023,020	18,031,856	(17,008,836)
	2,678,780	7,916,876	(5,238,096)	Sport & Recreation	2,563,897	10,316,299	(7,752,402)
	13,807,808	14,369,355	(561,547)	Waste Management	18,026,048	14,202,911	3,823,137
	7,980,034	7,641,726	338,308	Road Transport	280,900	24,986,741	(24,705,841)
	36,956,771	27,631,665	9,325,106	Water	43,312,042	40,909,715	2,402,327
	98,661,725	95,724,157	2,937,568	Electricity	130,859,492	95,852,971	35,006,521
	39,675,676	12,888,036	26,787,640	Sewerage	23,261,518	18,502,501	4,759,017
	530,971	4,276,177	(3,745,206)	Other	603,487	4,852,764	(4,249,277)
<b>264,721,142</b>	<b>249,404,424</b>	<b>15,316,718</b>	<b>15,316,718</b>	<b>Sub-total</b>	<b>307,108,622</b>	<b>344,552,092</b>	<b>(37,443,470)</b>
		(6,020,100)	6,020,100	Less Inter-Departmental Charges	-	(7,520,768)	7,520,768
<b>264,721,142</b>	<b>243,384,324</b>	<b>21,336,818</b>	<b>21,336,818</b>	<b>Total</b>	<b>307,108,622</b>	<b>347,347,623</b>	<b>(29,922,702)</b>



**MOQHAKA LOCAL MUNICIPALITY**  
**APPENDIX E1**

**UNAUDITED ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009**

Revenue	Actual 2009 R	Budget 2009 R	Variance 2009 R	Variance 2009 of 10% and greater versus budget %	Explanation of significant variances
Property rates	38,687,846	34,742,000	3,945,846	11	High volume of consumers with long outstanding accounts. New valuations and tariffs
Service charges	140,055,331	150,126,730	(10,071,399)	(7)	Not Applicable
Rental of facilities and equipment	2,690,747	4,399,636	(1,708,889)	(39)	Rental of municipality services not realized as budgeted for.
Interest earned - external investments	547,897	400,000	147,897	37	More interest earned on municipal infrastructure grant invested before actual expenditure occurred.
Interest earned - outstanding receivables	5,223,689	11,000,000	(5,776,311)	(53)	Interest calculated on a higher amount of receivables than actually existed during the year.
Fines	765,069	1,257,500	(492,431)	(39)	Poor recovery of fines issued.
Government grants and subsidies	107,527,416	106,187,848	1,339,568	1	Not Applicable
Other income	11,162,728	5,333,864	5,828,864	109	Includes income from non-exchange transactions amounting to R1.1million
Surplus/(deficit) on sale of assets	428,303	-	428,303	100	Not budgeted for
Dividends	15,260	-	15,260	100	Not budgeted for
Fair value through surplus/(deficit)	4,336	-	4,336	100	Not budgeted for
<b>Total Revenue</b>	<b>307,108,622</b>	<b>313,447,578</b>	<b>(6,338,956)</b>	<b>(2)</b>	
<b>Expenditure</b>					
Employee related costs	107,625,224	107,811,509	(186,285)	(0)	Not Applicable
Remuneration of councillors	11,217,905	11,359,349	(141,444)	(1)	Not Applicable
General expenditure departments	51,676,082	48,907,986	2,768,096	6	Not Applicable
General expenditure bulk purchases	64,454,175	58,095,604	6,358,571	11	Increase in Tariffs from supplier
General expenditure contracted services	6,336,442	9,919,100	(3,582,658)	(36)	Contracted services not realized as budgeted for
Interest paid	4,184,771	16,774,884	(12,590,113)	(75)	Loans did not realised as planned
Repairs and maintenance	27,890,763	18,620,008	9,270,755	50	Not as much repairs and maintenance done as budgeted for
Bad debts	29,359,749	-	29,359,749	100	Less debts were provided for during the year
Depreciation	44,602,512	-	44,602,512	100	Not budgeted for and Asset reconstruction was performed
<b>Total Expenditure</b>	<b>347,347,623</b>	<b>271,488,440</b>	<b>75,859,183</b>	<b>28</b>	
<b>Reconciling items between IMFO budget and GRAP/GAMAP/GAAP financial statements.</b>					
Contributions to special funds	-	12,256,377	(12,256,377)	(100)	
Provision for working capital	-	7,950,000	(7,950,000)	(100)	
Capital Expenditure	-	8,000,000	(8,000,000)	(100)	
<b>Net surplus/(deficit) for the year</b>	<b>(40,239,001)</b>	<b>70,165,515</b>	<b>(110,404,516)</b>		

## MOQHAKA LOCAL MUNICIPALITY

## APPENDIX E (2)

## UNAUDITED ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009







	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance	Explanation of significant variances greater than 5% versus budget
	R	R	R	R	R	%	
Assessment Rates	-	-	-	-	-	0%	The difference between the budgeted amounts and actual expenditure is as a result of the professional assumptions made in the reconstruction of the municipality's Fixed Asset Register.
Brentpark Swimming Bath	-	-	-	-	-	0%	
Budgets	-	-	-	-	-	0%	
Building Survey	-	-	-	-	-	0%	
Buildings	-	-	-	-	-	0%	
Cemeteries	-	-	-	-	-	0%	
Civic Centre	-	-	-	-	-	0%	
Civil Services	-	-	-	-	-	0%	
Committee Services	-	-	-	-	-	0%	
Communication and Marketing	-	-	-	-	-	0%	
Community Halls	-	-	-	-	-	0%	
Community Services Administration	-	-	-	-	-	0%	
Corporate Services Administration	-	-	-	-	-	0%	
Council General Expenses	-	-	-	-	-	0%	
Drawing Office	-	-	-	-	-	0%	
Electricity Distribution	-	-	-	-	-	0%	
	457,017.54	-	457,017.54	-	457,017.54	#DIV/0!	
Electricity Generation	-	-	-	-	-	0%	
Electricity Metering Section	-	-	-	-	-	0%	
Electricity Services Administration	-	-	-	-	-	0%	
Emergency and Disaster Management	-	-	-	-	-	0%	The difference between the budgeted amounts and actual expenditure is as a result of the professional assumptions made in the reconstruction of the municipality's Fixed Asset Register.
Administration	-	-	-	-	-	0%	
Finance Services	-	-	-	-	-	0%	
Fleet Management	-	-	-	-	-	0%	
Grants- in- aid	-	-	-	-	-	0%	
Housing	-	-	-	-	-	0%	
Human Resources	-	-	-	-	-	0%	
Information Technology	-	-	-	-	-	0%	
Integrated Development and Planning	-	-	-	-	-	0%	
Internal Audit	-	-	-	-	-	0%	
Jukseipark	-	-	-	-	-	0%	
Kroonpark	-	-	-	-	-	0%	
Landfill Site	-	-	-	-	-	0%	
Libraries	-	-	-	-	-	0%	
Local Economic Development	-	-	-	-	-	0%	
Loubserpark	-	-	-	-	-	0%	
Manager Corporate Services	-	-	-	-	-	0%	
Mayor's Office	-	-	-	-	-	0%	
Morewag Swimming Bath	-	-	-	-	-	0%	The difference between the budgeted amounts and actual expenditure is as a result of the professional assumptions made in the reconstruction of the municipality's Fixed Asset Register.
Mowing Section	-	-	-	-	-	0%	
Municipal Manager	-	-	-	-	-	0%	
Nyakallong Recreation Resort	-	-	-	-	-	0%	
Occupational Health and Safety	-	-	-	-	-	0%	
Office of the Whip	-	-	-	-	-	0%	
Other Councillors	-	-	-	-	-	0%	
Parks Administration	-	-	-	-	-	0%	
Pavements and Open Spaces	-	-	-	-	-	0%	
Properties Farmlands	-	-	-	-	-	0%	
Public Gardens North	-	-	-	-	-	0%	
Public Gardens South	-	-	-	-	-	0%	
Public Toilets	-	-	-	-	-	0%	
Public Works	-	-	-	-	-	0%	
Pumps and Purification	-	-	-	-	-	0%	
	212,105.26	-	212,105.26	-	212,105.26	#DIV/0!	
Railway sidings	-	-	-	-	-	0%	The difference between the budgeted amounts and actual expenditure is as a result of the professional assumptions made in the reconstruction of the municipality's Fixed Asset Register.
Recreation	-	-	-	-	-	0%	
Refuse Removal	-	-	-	-	-	0%	
Regional Co- ordinator Steynsrus	-	-	-	-	-	0%	
Regional Co- ordinator Viljoenskroon	-	-	-	-	-	0%	
Riverside Swimming Bath	-	-	-	-	-	0%	
Roads and Streets	-	-	-	-	-	0%	
	1,466,018.00	-	1,466,018.00	-	1,466,018.00	100%	
Security	-	-	-	-	-	0%	
Sewerage and Purification	-	-	-	-	-	0%	
	1,466,805.66	-	1,466,805.66	-	1,466,805.66	100%	
Sewerage Network	-	-	-	-	-	0%	
	241,952.12	-	241,952.12	-	241,952.12	100%	
Speaker's Office	-	-	-	-	-	0%	
Storage Dams	-	-	-	-	-	0%	
	11,184.21	-	11,184.21	-	11,184.21	100%	
Stores and Procurement	-	-	-	-	-	0%	
Street Cleaning Services	-	-	-	-	-	0%	
Town Hall	-	-	-	-	-	0%	
Traffic	-	-	-	-	-	0%	
Valuations	-	-	-	-	-	0%	
Water Reticulation	-	-	-	-	-	0%	
Water Services Administration	-	-	-	-	-	0%	
<b>Total</b>	<b>3,855,083</b>	<b>-</b>	<b>3,855,083</b>	<b>-</b>	<b>3,855,083</b>		


**MOQHAKA LOCAL MUNICIPALITY**  
**APPENDIX F**


**UNAUDITED DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2009**


**Grants and subsidies received**

Name of Grants	Name of organ of state or municipal entity.	Quarterly Income				Quarterly Expenditure				Delayed or withheld	Comply with conditions
		Sept 2008	Dec 2008	March 2009	June 2009	Sept 2008	Dec 2008	March 2009	June 2009		
Equitable Share	National Government	26,602,228	19,951,671	36,366,950	-	26,602,228	19,951,671	36,366,949	-	No	Yes
Councillors Grant	National Government	-	-	-	-	-	-	-	-	No	Yes
Institutional Grant	National Government	735,000	-	-	-	147,008	-	168,938	419,054	No	Yes
Website Development Grant	National Government	-	-	-	-	-	-	1,992,350	-	No	Yes
Municipal Infrastructure Grant	National Government	4,538,422	3,360,000	11,031,578	4,492,000	1,231,130	2,888,057	6,013,127	10,269,324	No	Yes
LGSETA	National Government	210,949	127,759	371,883	-	78,000	-	80,997	551,594	No	Yes
Financial Management Grant	National Government	-	554,000	-	-	-	159,649	237,720	156,631	No	Yes
		<b>32,086,599</b>	<b>23,993,430</b>	<b>47,770,411</b>	<b>4,492,000</b>	<b>28,058,366</b>	<b>22,999,377</b>	<b>44,860,081</b>	<b>11,396,603</b>		


Audit Findings	Management Comments	Remedial Action
<p><b>Property, plant and equipment</b></p> <p>1. I did not obtain all the information and explanations I considered necessary to satisfy myself as to the completeness, existence, rights of ownership and valuation of property, plant and equipment amounting to R1 085 368 102 in the current year and R1 126 563 540 in the previous year, as disclosed in note 1 to the financial statements, due to the following:</p>		
<p>a) The fixed asset register was reconstructed during the current financial year and was used as a basis for the preparation of the financial statements. As a result of the reconstruction, the comparative information, as disclosed in note 1 to the financial statements, was also restated. The source data and assumptions used to value the assets could not be obtained for audit purposes and alternative procedures could also not be performed.  <a href="#">EX.191</a></p>	<p>I am not in agreement with the finding for the following reasons:</p> <p>g.) A meeting has been arranged between Altimax, Aurecon and the Auditor General so that the required information can be made available for audit purposes.</p>	<p>Not applicable</p>
<p>b) I was unable to obtain audit assurance as to the existence of property, plant and equipment amounting to R22 445 307 as asset components included in the asset register could not be identified during physical verification and required title deeds could not be obtained. Alternative procedures could also not be performed.</p> <p> <a href="#">EX.183</a>       <a href="#">EX.202</a>   <a href="#">EX.203</a>       <a href="#">EX.147</a>   <a href="#">M.2.40</a></p>	<p>I am not in agreement with the finding, as the only asset that could not be physically verified is a LB swivel chair (Asset no 6375).</p>	<p>Not Applicable</p>

Audit Findings	Management Comments	Remedial Action
<p>c) Paragraph 21 of Statements of GRAP, GRAP 17: <i>Property, plant and equipment</i> states that an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Sufficient appropriate audit evidence could not be obtained for the prior period error disclosed in note 29.16 to the financial statements, relating to fixed asset additions recognised in the incorrect financial year, amounting to R8 427 919. Furthermore, these assets could not be traced to the fixed asset register and I could not determine if these additions were procured in terms of the supply chain management policy of the municipality as the required supporting documentation could not be obtained. Furthermore, I could not perform any alternative procedures.  <b>EX.150</b></p>	<p>Management agree with the finding, but the following corrective actions had been taken in the preparation of the final AFS:</p> <p>1.) After consultation with the Auditor General it was decided that the following corrections must be made to the financial statements and the asset register:</p> <ul style="list-style-type: none"> <li>- Only additions with direct supporting documentation will be disclosed as additions for the 2008/09 financial year.</li> <li>- These additions for the current financial year amounts to R965 897 for the sewerage treatment plant in Steynrus.</li> <li>- The remaining balance that could not be substantiated by direct supporting documentation for the current year additions. The expert's values for the evaluation of the cost of these assets will be used.</li> </ul> <p>Conclusion:</p> <ul style="list-style-type: none"> <li>- Additions for the current financial year is R965 897</li> <li>- Additions that was disclosed as 2008/2009 additions will be reclassify as 2007/2008 additions and totals R8 421 632.</li> <li>- Management scrutinised all additions for infrastructure to satisfy the risk of the completeness of the current financial year. Additions to the amount of R1 429 453.77 were expensed and should have been capitalised. These amounts will be capitalised.</li> </ul>	<p>Not Applicable</p>

Audit Findings	Management Comments	Remedial Action
<p>2. Property, plant and equipment amounting to R1 085 368 102 in the current year and R1 126 563 540 in the previous year, as disclosed in note 1 to the financial statements, were not accurately valued due to the following:</p>		
<p>a) Paragraph 58 of Statements of GRAP, GRAP 17: <i>Property, plant and equipment</i> states that the depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciation charge for property, plant and equipment, intangible assets and investment property as disclosed in note 1, 2 and 3 to the financial statements respectively, totalling R42 995 282 exceeded the depreciation charge as disclosed in the statement of financial performance, amounting to R989 281 with R42 006 001 for the previous year. The depreciation charge for property, plant and equipment, intangible assets and investment property agrees with the reconstructed asset register (refer to par. 4(a)). Consequently, depreciation as disclosed in the statement of financial performance and accumulated surplus is understated by R42 006 001.</p> <p> <a href="#">EX.202</a></p>	<p>I am in agreement with the finding.</p>	<p>This will be corrected during the 2009/2010 financial year as a prior period error.</p> <p><b>Responsible Official</b> MJ Lenyehelo – Manager Finance</p> <p><b>Date of Implementation</b> 30 June 2010</p>

Audit Findings	Management Comments	Remedial Action
<p>b) Paragraph 11 of Statements of GRAP, GRAP 17: <i>Property, plant and equipment</i> states that the cost of an item of property, plant and equipment shall be recognised as an asset if:</p> <p>(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and</p> <p>(b) the cost or fair value of the item can be measured reliably.</p> <p>Municipal Infrastructure Grant (MIG) costs relating to assets in construction were not recognised as property, plant and equipment. These costs are expensed and the projects only recognised as property, plant and equipment once the projects are finalised. I was further unable to quantify this understatement as sufficient appropriate audit evidence could not be presented and alternative procedures could not be performed.</p> <p> <a href="#">EX.159</a></p>	<p>I am in agreement with the finding.</p>	<p>In future, a list of all projects still in progress at 30 June will be obtained from the Project Management Unit (PMU). This list will then be agreed to the assets in construction as per the general ledger and fixed asset register.</p> <p><b>Responsible Official</b> MJ Lenyehelo – Manager Finance</p> <p><b>Date of Implementation</b> 31 August 2010</p>




Audit Findings	Management Comments	Remedial Action
<p>c) Paragraph 53 of Statements of GRAP, GRAP 17: <i>Property, plant and equipment</i> states that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Land included in infrastructure, community and other assets, as disclosed in note 1 to the financial statements, was not accounted separately and as a result, this land was depreciated. Due to land not being separated in the fixed asset register it was impracticable to determine to what extent depreciation and accumulated depreciation is overstated.</p> <p> <a href="#">EX.147</a></p>	<p>I am in agreement with the finding. The recalculation for this amount will be presented for audit purposes.</p>	<p>Not Applicable</p>
<p>d) Paragraph 65 of Statements of GRAP, GRAP 17: <i>Property, plant and equipment</i> states that depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation was incorrectly calculated on items of land and buildings, community assets and investment property, as disclosed in note 1 and 3 to the financial statements, as</p>	<p>I am in agreement with the finding. Please find attached the updated workings for the correct acquisition date as well as the corrected calculations for depreciation.</p>	<p>Not Applicable</p>



Audit Findings	Management Comments	Remedial Action
<p>incorrect acquisition dates were used. Consequently, accumulated depreciation is understated and depreciation overstated with R761 404 (30 June 2008: R778 311) and R16 907 (30 June 2008: R16 323) respectively.</p> <p>❗ <a href="#">EX.202</a></p>		
<p><b>Receivables</b></p> <p>3. Audit assurance as to the existence, valuation and completeness of consumer receivables from exchange transactions amounting to R86 312 896 in the current year and R74 163 030 in the previous year, other receivables from exchange transactions amounting to R9 528 861 in the current year and R12 160 384 in the previous year and other receivables from non-exchange transactions amounting to R26 443 in the current year and R1 754 418 in the previous year, as disclosed in note 7, 8 and 9 respectively, could not be obtained due to the following:</p>		
<p>a) Sufficient appropriate audit evidence could not be obtained on the valuation of consumer receivables and government subsidies amounting to R1 120 290 and R26 443 in the current year and R6 678 and R1 754 418 in the previous year, as presented in note 7 and note 9 to the financial</p>	<p>I am in agreement with the audit finding. Other receivables were corrected during the 08/09 financial year where sufficient documentation was available,. Where sufficient supporting documentation was not available, an item was prepared to be tabled to Council for approval to</p>	<p>Awaiting Council approval for balances to be written off.</p>

Audit Findings	Management Comments	Remedial Action
<p>statements respectively. In addition, sufficient appropriate audit evidence could not be obtained for other receivables amounting to R2 268 851 for the previous year, as disclosed in note 8 to the financial statements. I was further unable to perform alternative procedures. This matter was also reported in the previous year.</p> <p>❗ <a href="#">EX.30</a> ❗ <a href="#">EX.163</a> ❗ <a href="#">EX.30</a></p>	<p>write off these balances.</p>	
<p>b) Payments received in advance, as disclosed in note 16 to the financial statements, consumer receivables and other receivables exceeded the debtor age analysis by R1 056 233 in the previous year. Sufficient appropriate audit evidence could not be obtained for this difference or through alternative procedures. This matter was also reported in the previous year. ❗ <a href="#">EX.30</a></p>	<p>I am not in agreement with the finding. The age analysis and control accounts have been corrected. Please refer to Consumer Debtor File C4-1.</p>	<p>Not Applicable</p>
<p>c) Sufficient appropriate audit evidence could not be obtained for VAT included in the provision for bad debts amounting to R3 617 796, as disclosed in note 7 to the financial statements. I was further unable to perform alternative procedures.</p>	<p>I am in agreement with the finding.</p>	<p>This matter will be investigated. Any necessary corrections will be made in the 2009/2010 financial statements as a prior period error.</p>



Audit Findings	Management Comments	Remedial Action
<p>4. Consumer receivables from exchange transactions amounting to R86 312 896 in the current year and R74 163 030 in the previous year, other receivables from exchange transactions amounting to R9 528 861 in the current year and R12 160 384 in the previous year and other receivables from non-exchange transactions amounting to R26 443 in the current year and R1 754 418 in the previous year, as disclosed in note 7, 8 and 9 respectively, were not accurately valued and completely accounted for due to the following inconsistencies identified:</p>		
<p>a) Paragraph 63 of South African Statement of Generally Accepted Accounting Practice (SA Statements of GAAP), IAS 39 (AC 133): <i>Financial Instruments: Recognition and Measurement</i> states that if there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.</p>	<p>I am in agreement with the finding.</p>	<p>In future Management will ensure the calculations of the provision is consistently performed.</p> <p><b>Responsible Official</b> MJ Lenyehelo – Manager Finance</p> <p><b>Date of Implementation</b> 30 June 2010</p>


Audit Findings	Management Comments	Remedial Action
<p>No VAT was included in the provision for bad debts in the previous year amounting to R89 198 254, as disclosed in note 7 to the financial statements. Therefore, the current year accounting treatment is not consistent with that applied in the previous year. I was further unable to quantify this understatement as sufficient appropriate audit evidence could not be presented and alternative procedures could not be performed.</p> <p>❗ <a href="#">EX.119</a></p>		
<p>b) Suspense accounts were not cleared regularly and before the preparation of the financial statements. Consequently, unallocated amounts amounting to R480 308 in the current year and R2 695 081 in the previous year were disclosed as other receivables from exchange transactions in note 8 to the financial statements. I was unable to confirm the total extend of income, expenditure, assets or liabilities that might be included in these amounts as sufficient appropriate audit evidence could not be presented and alternative procedures could not be performed.</p> <p>❗ <a href="#">EX.30</a> ❗ <a href="#">EX.185</a> ❗ <a href="#">EX.198</a></p>	<p>I am in agreement with the finding.</p>	<p>These suspense accounts will be inspected and necessary corrections made.</p> <p><b>Responsible Official</b> MJ Lenyehelo – Manager Finance</p> <p><b>Date of Implementation</b> 30 June 2010</p>

Audit Findings	Management Comments	Remedial Action
<p>c) Paragraph 11 of Statements of GRAP, GRAP 17: <i>Property, plant and equipment</i> states that the cost of an item of property, plant and equipment shall be recognised as an asset if:</p> <p>(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and</p> <p>(b) the cost or fair value of the item can be measured reliably.</p> <p>Items of property, plant and equipment amounting to R1 424 737 is incorrectly included in unallocated amounts as presented in note 8 to the financial statements and therefore results in an overstatement of other receivables from exchange transactions. These items could not be traced to the fixed asset register as the supporting documentation could not be aligned with assets in the register. Due to the fact that the asset register was reconstructed and comparative information restated, I could not determine whether this matter results in an understatement of property, plant and equipment or an overstatement of accumulated surplus.</p> <p> <a href="#">EX.135</a></p>	<p>I am in agreement with the finding.</p>	<p>These corrections will be made to the general ledger and fixed asset register.</p> <p><b>Responsible Official</b> MJ Lenyehelo – Manager Finance</p> <p><b>Date of Implementation</b> 30 June 2010</p>


Audit Findings	Management Comments	Remedial Action
<p><b>Payables</b></p> <p>5. Sufficient appropriate audit evidence could not be presented for payments received in advance amounting to R1 289 176 in the current year and R6 559 627 in the previous year, as disclosed in note 16 to the financial statements. The accounting system of the municipality did not permit the application of alternative audit procedures. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the existence and valuation of payments received in advance.  <a href="#">EX.27</a>  <a href="#">EX.163</a></p>	<p>I am in agreement with the finding.</p>	<p>The remainder of the debtors with credit balances that could not be verified will be corrected during the 09/10 financial year.</p> <p><b>Responsible Official</b> MJ Lenyehelo</p> <p><b>Date of implementation</b> 30 June 2010</p>
<p>6. Sufficient appropriate audit evidence could not be presented for the accumulated leave provision amounting to R738 743 in the current year and R1 718 857 in the previous year. In a number of instances annual leave was approved after it had been taken. Certain leave records could not be presented and the municipality did not have adequate leave registers and therefore alternative procedures could not be performed. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the existence and valuation of the staff leave payable as disclosed in note 16 to the financial statements.</p>	<p>I am in agreement with the finding.</p>	






Audit Findings	Management Comments	Remedial Action
<p>7. Included in payments received in advance are deposits amounting to R827 945 which have not been allocated to debtors accounts at year end. Consequently, payments received in advance, as disclosed in note 16 to the financial statements is overstated and consumer receivables from exchange transactions, as disclosed in note 7 to the financial statements, understated with this amount.  <a href="#">EX.163</a></p>	<p>I am in agreement with the finding.</p>	
<p><b>Prior period errors</b></p> <p>8. Paragraph 49(b) of SA statements of GRAP, GRAP 3: <i>Accounting policies, changes in accounting estimates and errors</i> states that an entity shall disclose for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected. Property, plant and equipment, intangible assets and investment property as disclosed in note 1, 2 and 3 to the financial statements respectively were restated with a total amount of R628 451 737. However, the prior period errors disclosed in note 29 to the financial statements, relating to these balances, only amounts to R609 429 899. Therefore, prior period errors amounting to R19 021 838 was not disclosed in the financial statements.  <a href="#">EX.197</a></p>	<p>I am in agreement with the finding. The adjustment will be made in the AFS.</p>	<p>Not Applicable</p>

Audit Findings	Management Comments	Remedial Action
<p><b>Unauthorised expenditure</b></p> <p>9. Section 1 of the MFMA defines unauthorised expenditure as any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the act, and includes overspending of the total amount appropriated in the municipality's approved budget. Unauthorised expenditure relating to the previous year, as disclosed in note 40 to the financial statements, is understated due to prior period errors not being taken into consideration when this amount was determined. Consequently, unauthorised expenditure is understated by at least R11 303 963.</p> <p> <b>EX.21</b></p>	<p>I am in agreement with the finding.</p>	
<p><b>Expenditure</b></p> <p>10. Paragraph 6 of Statements of GRAP, GRAP 1: <i>Presentation of financial statements</i> defines the accrual basis as a basis of accounting under which transactions and other events are recognised when they occur. In an attempt to reallocated additions (refer to par. 4(c)) between the current and previous year, repairs and maintenance expenditure, as disclosed in the statement of financial performance, amounting to R8 427 919 was erroneously reallocated from the previous year to the current year. Repairs and maintenance is therefore understated with</p>	<p>I am in agreement with the finding.</p>	<p>This item will be reviewed and the necessary corrections will be made in the 2009/2010 annual financial statements as a prior period error.</p> <p><b>Responsible Official</b> MJ Lenyehelo – Manager Finance</p> <p><b>Date of Implementation</b> 30 June 2010</p>

Audit Findings	Management Comments	Remedial Action
<p><b>Employee-related costs</b></p> <p>11. No employment contracts or appointment letters could be obtained for employee related costs amounting to R5 978 764 in the current year. Alternative procedures could also not be performed and therefore no assurance could be obtained that these costs had actually occurred and were accurately recorded. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy, completeness and occurrence of employee related costs.</p> <p>❗ <a href="#">EX.50</a> ❗ <a href="#">EX.93</a></p>	<p>I am in agreement with the finding.</p>	<p>Employee files will be updated during the 09/10 financial year.</p> <p><b>Responsible Official</b> MSJ Nhlapo – Manager Corporate Services</p> <p><b>Date of Implementation</b> 30 June 2010</p>
<p><b>Value-added tax</b></p> <p>12. An amount of R4 005 583 was claimed in the financial year ended 30 June 2007 pertaining to input tax not claimed in the previous periods. The accuracy and completeness of this amount could not be confirmed. Consequently, audit assurance as to the existence, valuation and completeness of VAT receivable amounting to R10 216 991 in the current year and VAT payable amounting to R9 893 260 in the previous year, as disclosed in note 18 to the financial statements, could not be obtained and I was unable to perform alternative procedures.</p> <p>❗ <a href="#">EX.23</a></p>	<p>I am not in agreement with the finding. Please find attached supporting documentation for the amount of R11 619 362.</p>	




Audit Findings	Management Comments	Remedial Action
<p><b>Unspent conditional grants and receipts</b></p> <p>13. Sufficient appropriate audit evidence could not be obtained for the correction of the balance of unspent municipal infrastructure grant at the beginning of the previous year amounting to R2 780 761, as disclosed in note 22.5 to the financial statements and the relating prior period error amounting to R3 634 197, as disclosed in note 29.19 to the financial statements and I could not perform alternative procedures. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the existence, valuation and completeness of unspent conditional grants and the accuracy of the prior period error.</p> <p> <a href="#">EX.159</a></p>	<p>I am not in agreement with the finding. The supporting documentation was provided to the Auditor-General.</p>	<p>Not Applicable</p>

Audit Findings	Management Comments	Remedial Action
<p><b>Irregular expenditure</b></p> <p>14. Section 1 of the MFMA defines irregular expenditure as expenditure incurred by a municipality that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170. Payments amounting to R3 292 641 were identified which were not made in accordance with the approved section 79 MFMA delegations. These irregular payments were also not disclosed in the financial statements as required by section 125(2)(d)(i) of the MFMA.</p> <p> <a href="#">EX.90</a></p>	<p>I am in agreement with the finding.</p>	<p>The matter will be investigated for the amounts to be either recovered from the responsible officials, or condoned by Council.</p> <p><b>Responsible Official</b> MS Mqhwathi – Accounting Officer</p> <p><b>Date of Implementation</b> 30 June 2010</p>
<p><b>Inventory</b></p> <p>15. Weaknesses and differences were identified with the physical verification of inventory in the previous year. Furthermore, inventory as disclosed in note 6 to the financial statements exceeded the balance of the inventory listings by R460 126 in the previous year. Consequently, sufficient appropriate audit evidence could not be obtained as to the existence, valuation and completeness of inventory amounting to R4 883 798 in the previous year and alternative procedures could not be performed. This matter was also reported in the previous year.</p> <p> <a href="#">EX.26</a></p>	<p>I am in agreement with the finding.</p>	<p>Not Applicable</p>

Audit Findings	Management Comments	Remedial Action
<p><b>Revenue</b></p> <p>16. Sufficient appropriate audit evidence could not be presented for fines revenue as disclosed in the statement of financial performance and I could not perform alternative procedures. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy and completeness of fines revenue amounting to R765 069 as disclosed in the statement of financial performance.</p> <p> <b>EX.158</b></p>	<p>I am in agreement with the audit finding. The E-Natis system is not currently working and therefore the supporting documentation cannot be provided.</p>	<p>The information will be provided during the next audit.</p> <p><b>Responsible Official</b> MC Sepheka – Manager Community and Emergency Services</p> <p><b>Date of Implementation</b> 1 April 2010</p>
<p><b>Capital commitments</b></p> <p>1. Projects amounting to R37 948 560 identified on the <i>Service Delivery and Budget Implementation Plan</i> were not considered in determining the capital commitment balance at year-end. Expenditure incurred on these projects could not be determined. In addition, only projects that commenced in the current financial year were taken into consideration in determining the commitment balance and therefore no disclosures of projects running for longer than one year was made. This register was also used to calculate the capital commitments amounting to R1 391 551 for the previous year. I was unable to perform alternative procedures and no assurance could therefore be obtained that capital commitments amounting to R3 346 064 for the current year and R1 391 551 for the previous year were completely and accurately disclosed in note 30 to the financial statements.</p>	<p>Disagree with findings – Please find a complete list of all commitments for the current and comparative financial years. It was noted that during the recalculation of the commitments as per AG calculations that the cost for professional fees were deducted.</p>	<p>Not Applicable</p>

Audit Findings	Management Comments	Remedial Action
<p><b>Cash flow statement</b></p> <p>17. Paragraph 13 of the Statements of GRAP, GRAP 2: <i>Cash flow statements</i> states that the separate disclosure of cash flows arising from investment activities is important because the cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the entity's future service delivery. A cash outflow from investing activities, amounting to R28 798 075 due to acquisitions of property, plant and equipment as a result of the fixed asset reconstruction, is disclosed in the cash flow statement. This amount does not represent actual cash flow and sufficient supporting documentation could not be presented to substantiate this disclosure. As disclosed in note 29 to the financial statements, numerous prior period errors were recognised and I could not determine to what extent these corrections affected the 30 June 2007 financial year. Therefore, I could not recalculate certain comparative cash flow line items as the movement between the 30 June 2007 and 30 June 2008 account balances could not be determined. I was furthermore unable to perform alternative procedures. The net cash flows from investing activities as disclosed in the comparative cash flow statement is therefore not accurate. The impact of this matter could not be determined. This matter was also reported in the previous year.</p>	<p>I am in agreement with the finding. The Annual Financial Statements will be adjusted accordingly.</p>	<p>Not Applicable</p>



Audit Findings	Management Comments	Remedial Action
<p><b>Financial instruments</b></p> <p>18. The financial instruments were not disclosed in terms of the International Financial Reporting Standards (IFRS), IFRS 7 <i>Financial Instruments: Disclosures</i>, which requires detailed financial risk analysis and disclosure.  <a href="#">EX.35</a>  <a href="#">EX.82</a></p>	<p>I am in agreement with the finding.</p>	<p>IFRS 7 disclosures will be included in the 2009/2010 financial statements.</p> <p><b>Responsible Official</b> MJ Lenyehelo – Manager Finance</p> <p><b>Date of Implementation</b> 30 June 2010</p>
<p>19. Paragraph 20(d) of IFRS 7 <i>Financial Instruments: Disclosures</i> states that an entity shall disclose interest income on impaired financial assets accrued in accordance with paragraph AG93 of IAS 39. Interest income on impaired consumer receivables from exchange transactions, as disclosed in note 7 to the financial statements, is not disclosed separately. I was unable to quantify this understatement as sufficient appropriate audit evidence could not be presented and alternative procedures could not be performed.  <a href="#">EX.82</a></p>	<p>I am in agreement with the finding.</p>	<p>IFRS 7 disclosures will be included in the 2009/2010 financial statements.</p> <p><b>Responsible Official</b> MJ Lenyehelo – Manager Finance</p> <p><b>Date of Implementation</b> 30 June 2010</p>